

ANALYSES OF CONTEMPORARY WELFARE REFORM ISSUES:



Sexual Inequities;

Regionalism and Fiscal Relief; and the

Impact of Undocumented Aliens on the Welfare System

LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS

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ANALYSES OF CONTEMPORARY WELFARE REFORM ISSUES:

**Sexual Inequities;
Regionalism and Fiscal Relief;
and the
Impact of Undocumented Aliens on the Welfare System**

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FOREWORD

The Lyndon B. Johnson School of Public Affairs has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the nine-month policy research project, in the course of which two or three faculty members from different disciplines direct the research of ten to twenty graduate students of diverse backgrounds on a policy issue of concern to an agency of government. This "client orientation" brings the students face to face with administrators, legislators, and other officials active in the policy process, and demonstrates that research in a policy environment demands special talents. It also illuminates the occasional difficulties of relating research findings to the world of political realities.

Occasionally a project of broad scope will generate enough information for more than one volume. Four volumes on topics related to welfare reform and the income maintenance system have resulted from the research conducted in 1977-78 for the Texas Department of Human Resources. These topics range from an analysis of the impact of the Carter welfare reform proposals on the existing system, to an examination of historical and legislative precedents, to analyses of contemporary relevant issues. In combination, the volumes provide a comprehensive view of a complex and vital policy area.

It is the intention of the LBJ School both to develop men and women with the capacity to perform effectively in public service and to produce research which will enlighten and inform those already engaged in the policy process. The project which resulted in this report has helped to accomplish the former; it is our hope and expectation that the report itself will contribute to the latter.

Elsbeth Rostow
Dean

PREFACE

The four-volume *Welfare Reform Project Report* results from policy research conducted by the LBJ School of Public Affairs during the 1977-78 academic year. It was supported in part by the Texas Department of Human Resources (DHR) and had the twin goals of assisting the Department in meeting its future staff needs for policy analysts and providing LBJ School students the opportunity to work hand-in-hand with public and private sector officials in developing, assessing, and implementing policies and programs in the human services area. The specific task was to aid DHR in developing and testing an independence-fostering approach to the delivery of public assistance and employment services. The *Family Independence Plan* (FIP), as conceived by DHR officials, was the approach developed and refined during the course of the research activities reported on herein. FIP is a comprehensive service delivery mechanism for overcoming barriers that reduce services under existing entitlement programs. A key objective of the welfare reform project was to develop a fundable proposal for field testing, administering, and evaluating a demonstration FIP program.

The scope of income maintenance policies and programs required project participants to familiarize themselves with a number of topics in order to place "welfare reform" in perspective and to develop alternative approaches such as the FIP. The four-volume report reflects the broad scope of our work. Volumes I and II provide background information and analyses that are essential if one is to offer substantive welfare reform alternatives. Volume III contains analyses of three issues that have particular relevance for Texas. Volume IV describes in detail the FIP concept. It also contains the FIP proposal as well as the evaluation design for the demonstration project. Additionally, a number of support documents and materials were prepared by project members in refining program concepts and guidelines for the FIP, including demographic and labor profiles of the proposed test sites. The four volumes are:

- I. "Linking the Carter Welfare Reform Package to the Income Maintenance System"
- II. "Income Maintenance Policy: An Analysis of Historical and Legislative Precedents"

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- III. "Analyses of Contemporary Welfare Reform Issues: Sexual Inequities; Regionalism and Fiscal Relief; and Undocumented Aliens' Impact on the Welfare System"
- IV. "The Family Independence Plan: An Alternative Welfare Reform Approach"

Many individuals and agencies assisted in this effort. The Research team expresses its appreciation for their time, especially the DHR staff.

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PART I

**SEXUAL INEQUITIES:
WELFARE REFORM AS IT AFFECTS WOMEN**

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SEXUAL INEQUITIES: WELFARE REFORM AS IT AFFECTS WOMEN

EXECUTIVE SUMMARY

Current welfare policy is based on the outmoded concept of woman's inherent dependency upon man. It ignores the egalitarian goal of making each person, regardless of sex, totally capable of self-sufficiency. In light of the changes in women's roles and in society's view of women, present welfare policy and proposed alternatives must be cleansed of inequities based on obsolete perceptions regarding over fifty percent of the population.

The number of women employed outside the home doubled between 1950 and 1974.¹ Over the last decade, the incidence of female-headed families has increased ten times faster than that of two-parent families.² Yet, in 1973, when families headed by women were twelve percent of all families, they constituted forty-five percent of all low-income families.³ These facts compel examination of welfare policy as it affects women. Due to limitations of time and space, this analysis does not specifically treat the effects of past and proposed welfare systems on men. However, it is written with the recognition that the assumptions of women's dependency upon men has naturally worked to the detriment of men as well as women. As long as discrimination, explicit or implicit, remains a reality in government policy, no one attains the goals of an egalitarian society.

The main tenet of this analysis is that every person should be afforded an equal opportunity to develop his/her full potential and to seek self-sufficiency. Furthering this tenet in welfare policy depends upon maximizing a person's freedom of choice regarding life style, occupation, childbirth, and marriage.

The recommendations included in this paper are based upon the premise of neutrality—that government policy should not affect fundamental personal decisions—and upon the premise that a person's sex should not affect his/her participation in a program aimed at enhancing and increasing self-sufficiency.

Briefly stated, we recommend the following:

- elimination of the principal earner provision of the *Program for Better Jobs and Income* (PBJI);
- elimination of the work requirement of PBJI;
- explicit affirmative action regulations in the jobs component of PBJI;
- quality child care for program participants;
- increased emphasis on part-time and flexitime job opportunities;
- the computation of child support as earned income rather than as unearned income;

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- comprehensive statistical collection and reporting by government agencies to facilitate measurement of program impacts upon women;
- guaranteed continued state supplementation of income support; and
- the use of gender-neutral concepts and language in all government proposals, regulations, and guidelines.

INTRODUCTION

It has been commonly assumed that women work for something other than economic need; that women, because they appear dependent upon men, don't necessarily need to work; that if they do work, it is not necessary for them to make as much money as men; and that women are inherently the childrearsers of society. Political rhetoric aside, these assumptions have found their way into governmental policy, compounding in many instances the effects of social and psychological inertia that reinforce the traditional roles of and myths about women.

The myth that women generally rely on men for their economic support and the underlying assumption that women work for reasons other than economic need is simply not true. In 1973, two-thirds of all working women were divorced, separated, single, or married to men making less than \$7,000 a year.⁴ Figures for 1976⁵ reflected that same truth—that many women either provided sole support for their families or contributed to a marginal family income. In light of the increasing number of women choosing to remain single and the soaring divorce rate, the myth that women rely upon men for their economic support is untenable.

The age-old assumption that the woman is the parent fully responsible for childrearing tends to keep many women in the home, out of the work place, and economically dependent upon men. In March 1976, 56.3 percent of working female-headed families had children under six years of age.⁶ In 1974, 6.1 million children under six had mothers in the labor force.⁷ Although the number of women in the labor force increases, the aforementioned assumptions represent values that restrict women's expectations and discourage their active participation in the economic system. Due to this limited access, many women cannot achieve self-sufficiency and are thereby left to depend either on a man or on the government for support.

Welfare policy is the government's response to those persons in society who are unable to support themselves in the economic system. If the long-range goal of welfare policy is to encourage self-sufficiency, support policy which continues to reflect and thereby perpetuate dependency is an inherent contradiction. To eliminate this contradiction, welfare policy must be neutral in theory and in implementation.

A neutral policy is one which does not influence a person's choice

concerning such fundamental decisions as marriage, childbirth, family composition, or occupation, regardless of sex.⁸ Neutrality is a necessary philosophical basis for any government policy because the foundation for representation and the source of revenues is the entire population. Welfare policy, as now administered, attempts to inject the cultural values of the majority upon recipients who are predominantly of a different socioeconomic background. This incongruity creates acrimony between the recipients and the benefactors. By eliminating incentives found in eligibility criteria, benefit levels, and assumed resource sharing by different units (family, individual, unmarried), a neutral policy allows participants maximum freedom of choice. Within the context of the welfare system, the number of choices may be limited due to economic constraints, but equality in opportunity to choose could be achieved. Implementation of such a policy requires that modifications be made in the neutrality premise in order to compensate for past discrimination due to race or sex—discrimination which may be a cause of a person's need for public assistance in the first place. However, any deviations from the neutrality goal must be assessed and continuously monitored to ensure that they are moving the programs in the direction of ultimately attaining the neutrality goal. Furthermore, as the integration of public and private sector services increases, the opportunity exists for moving toward entirely neutral governmental policies. The private sector could take the responsibility for programs that take into account and legitimately compensate for ascriptive differences and their effects, which have resulted primarily from discriminatory practices that have been and will probably continue to be a reality in all societies. The key point is that by incorporating neutrality as a goal in the formulation of welfare policy, personal choices are not restricted and educational, economic, and social inequities can be eliminated. The result is a welfare system that in fact moves society closer to two of its basic ideals—equality and self-determination.

This paper uses the neutrality premise as the basis for analyzing current and proposed welfare policy. The following three sections give an overview of general demographic characteristics of women, a discussion of the treatment of women in current major welfare programs, and a statistical profile of women in poverty.

In the third section, President Carter's *Program for Better Jobs and Income* (PBJI) is examined for its positive and negative impacts on poor women. Carter's comprehensive proposal represents the second time in this decade that a uniform guaranteed income based upon a negative income tax (NIT) has been offered as an alternative to the current welfare "system." The NIT concept was first considered and developed within the Johnson Administration. In 1969, it was the central premise in President Nixon's *Family Assistance Plan*. In addition, PBJI breaks new ground by directly

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linking a major public jobs component to the welfare system. At the time of this writing (summer 1978) it appears that Congress will not act on the Carter proposal. In its stead, "piecemeal" proposals are being considered as the 95th Congress' reform solution. However, the importance of the trend toward a guaranteed-income/guaranteed jobs welfare system should not be overlooked. Based on historical government operations, it is highly likely that these same concepts—general and specific—will be seen again in future reform efforts.

Finally, recommendations are made for improving PBJI.

SOCIAL TRENDS SINCE WORLD WAR II

Labor Force Participation

When the United States entered World War II, a "massive public relations campaign" informing women of all ages that it was "unpatriotic for them to stay at home" brought more women into the labor force during the four war years than had entered the labor force during the previous forty years.⁹ Although the women who worked during the war were largely excluded from policymaking and management roles, they were, for the first and only time, accorded an opportunity to enter other traditionally "male" jobs. At the end of the war, 80 percent of the women workers expressed a desire to keep their jobs.¹⁰ They didn't. It was not until 1965 that the percentage of women working equaled the World War II level.

Today, women are entering the labor force at younger ages, the labor force participation rate of married women is increasing, more mothers are working, and more women are seeking full-time employment. In 1975, 64 percent of all women aged 20-24 years were in the labor force.¹¹ The Bureau of Labor Statistics estimates that by 1990 75 percent of women between these ages will be seeking employment.¹² Young married women with children are entering the labor market in even greater proportions. While the labor force participation rate of all women ages 20 to 24 rose from 45 percent in 1960 to 61 percent in 1974, the rate for mothers with children under six in this age group doubled from 18 percent to 37 percent. Between 1948 and 1977, the labor force participation rates for women with all children under six more than quadrupled.¹³

Yet, women's median earnings as compared to those of men continue to decline. In 1967 a woman working full-time year round earned sixty-four cents to a man's dollar; in 1973 she earned sixty-nine cents to his dollar; and in 1977 she earned fifty-six cents to his dollar.¹⁴ The ratio of female unemployment to male unemployment has also worsened in recent decades. In addition, the "occupational distribution of jobs by sex has shown no improvement in the last twenty years," with a majority of women still

confined to low pay, low status, and upwardly immobile jobs.¹⁵

It is therefore not surprising that women are poorer today than in years past. The incidence of female-headed families below the poverty level has increased from 23 percent in 1959¹⁶ to 48 percent in 1976.¹⁷ Thirty-five percent of these women worked in 1976, but at jobs which paid them too little to escape poverty. Of the poor women working in 1976, 71.6 percent worked in clerical and sales jobs,¹⁸ which in 1975 paid women only about 39 percent of what males in the same occupations earned.¹⁹

General Laws Affecting Women

Among the most remarkable changes in the American economy in the past quarter century has been the dramatic increase in the number and proportions of women who work for pay outside the home.²⁰ At the same time, women's earnings relative to those of men have decreased; occupational segregation has shown no improvement; the unemployment rate of women has continued to worsen in relation to that of men; sex discrimination in employment is blatant; and the percentages of women below the poverty level continue to increase.

In view of these trends and the fact that "30 percent of the sex differential in earnings appears to be unexplainable by factors of qualification, and...therefore appears to be due to discrimination,"²¹ the powerful antidiscrimination laws in employment appear not to be working. The Equal Employment Opportunity Commission (EEOC), charged with administration of Title VII of the Civil Rights Act, is responsible for eliminating employment discrimination based on sex. Although EEOC is recognized as applying the most progressive standards to issues of discrimination, its backlog of cases in the spring of 1976 was greater than 100,000.²²

Charged with seeing that employees performing equal work be paid equal wages, the Wage and Hour Division of the Department of Labor has been criticized for its lack of female representation in the Equal Pay Program. In July 1977, the Department of Labor guidelines for the Equal Pay Act still permitted part-time workers, the majority of whom are female, to be paid lower hourly wages than full-time workers. EPA regulations do not contain provisions concerning the use of maternity leave and do not prohibit the exclusion of employees of one sex from training programs.

Another major tool of antidiscrimination is Executive Order 11246, as amended by Executive Order 11375, October 13, 1967, prohibiting sex discrimination in employment by the federal government and by federal contractors. The Office of Federal Contract Compliance Program (OFCCP) of DOL, administrator of this program, has only recently proposed regulations setting goals for the hiring of women in the construction industry, a major

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recipient of government contracts. The Civil Rights Commission in its 1977 evaluation of OFCCP noted the continuation of major deficiencies regarding sex discrimination in the OFCCP guidelines.²³

The Federal Equal Credit Opportunity Act, effective October 28, 1975, made it illegal for a commercial creditor to discriminate on the basis of sex or marital status. In March 1977, coverage was extended to prohibit discrimination based on the receipt of public assistance. The law is strong, but the regulations written by the Federal Reserve Board have been criticized as weak.²⁴

Marriage and Childbirth

Changing social values have affected women in other areas. Women now marry at later ages, and between one-third and one-half of all marriages end in divorce. Although birth rates for women ages fifteen to nineteen decreased substantially from 1950 to 1970, the illegitimacy rate for the women of these ages has increased from 12.6 to 22.4 per 1,000 women.²⁵ Premarital sexual activity is beginning at ever-younger ages, yet in one study 80 percent of sexually active teenagers reported using no birth control.²⁶ It has been estimated that the majority of illegitimate births are to women at near-poverty and poverty levels.²⁷

It is obvious that a serious need exists for increased access to family planning information and assistance. The need is made even more pressing by the recent Supreme Court and Congressional decisions limiting the use of Medicaid or other tax-generated funds for abortion. The impact of these decisions on poor women, as well as upon the welfare system, cannot be ignored.

In summary, many women are caught in a double bind. "Society defines woman's place as in the home, caring for the children..., yet women who receive public assistance are held responsible when they fail to find jobs, fail to earn enough, and fail to provide proper child care for their children."²⁸

THE CURRENT WELFARE SYSTEM

The present patchwork system of public assistance programs is the result of incremental legislation which reflects conflicting goals and questionable assumptions about who "deserves" public aid. Basic changes in society's composition and in attitudes toward the government's responsibility for assisting those in need have further rendered the current system out of date and in need of reform. It is therefore necessary to reexamine briefly the current welfare "system" in light of its inconsistencies with the current situation.

Historically, there have been five major goals in the federal welfare system: adequate benefit levels for those deemed "deserving"; maintenance of work incentives; equitable assistance for those persons in similar circumstances; administrative efficiency; and fiscal restraint.²⁹ Some of these goals are inherently in conflict: adequacy versus incentive, fiscal restraint versus adequacy, incentive versus efficiency, and adequacy versus equity.

In attempting to meet all of these goals, albeit in differing degrees, categorical programs have been constructed in terms of two concepts which affect women. The first is a definition of "deserving," used to distinguish those persons who are expected to work from those who are not.³⁰ Women with children under six years of age are not expected to work, nor is a woman with a husband who does work, regardless of his income. Thus, women are defined as wives or mothers rather than as individuals. The second distinction is between employable and unemployable.³¹ This concept is usually applied to the man in the family as it assumes he will be the source of family income. It is only when the woman is the single head of the family that her "employability" is considered, and again the basis for determining whether she "should" work is the age of her child. Thus, not only are poor single women with no children and women with children above a certain age excluded from public aid, but also excluded are childless husband-wife families who, regardless of work effort, live below the poverty level.

There are numerous systematic problems with the current programs. The primary problems, described in other works,³² include gaps in coverage, inequities, work disincentives, family splitting incentives, overlapping benefits, and administrative chaos. These deficiencies and their impact on poor women can be seen in an analysis of four programs: AFDC/WIN, CETA, Child Care, and the Food Stamps program.

Aid to Families with Dependent Children (AFDC)

Aid to Families with Dependent Children was originally designed to provide assistance to children in families headed by unmarried mothers.³³ Various changes since 1936 have expanded AFDC to its present eligible population of families with single parents of either sex, families in which the children are living with relatives because no parent is present, families with a father incapacitated due to illness, and in twenty-four states, families with two parents present but in which the father is unemployed (AFDC-UF).³⁴ As of September 1977, there were 3.5 million families receiving AFDC, 78 percent of which were headed by single females.³⁵

Two general assumptions underlie the basic AFDC program in operation in twenty-six states. The first is that if the father is present he should be able to earn an income adequate for support of the family. This assumption results in

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strict eligibility criteria which create an incentive for the father to leave his family in order that the mother and children can receive public assistance. He is thereby discouraged from attempting to provide monetary assistance and from performing familial duties as a father. A second assumption is that assistance is due only to those not expected to work, i.e., women with children under six, resulting in a disincentive for these mothers to work, regardless of their ability or desire to do so. These assumptions, based on the concepts of "deserving" and "man as breadwinner," continue to undermine the achievement of equity and self-sufficiency by those persons who need it most.

The AFDC-UF program alleviates the incentive for fathers to leave the family but fails to recognize women as wage earners. This is seen in the states' provisions that a two-parent family is eligible only if the *father* is unemployed.³⁶ The "employable-unemployable" definition does not apply to women because they are considered only as mothers and wives. The two-parent family is also forced to choose between benefits receivable under Unemployment Insurance of AFDC-UF, while a single parent (male or female) family is eligible for AFDC even if the parent is receiving Unemployment Insurance.³⁷

State discretion in determining eligibility criteria, benefit levels, and services to be provided further complicate the administration of AFDC/AFDC-UF. The effect has been a wide variation of inequitable standards and services, highly restrictive eligibility criteria, and subsistent benefits which are usually limited to a specified goal, regardless of the family's needs. As the number of applicants has increased, most states have opted for flat grants of a specific amount for a given family size in lieu of special grants which more closely fit each family's needs. The process of applying for assistance under AFDC is complex and humiliating, as determination of need is often based on intimate details about the applicant's private life.³⁸ The wide variation among the states makes it extremely difficult to monitor for compliance with the federal regulations.

As a condition for eligibility for AFDC, all applicants over sixteen years of age are required to register for the Work Incentive Program (WIN) unless legally exempt for reasons of health, incapacity, or responsibility for a child under six years of age.³⁹ The general assumption in the program is that a woman is "deserving" of public assistance only if she has young children; otherwise, she *must* work. WIN emphasizes immediate job placement, providing training and public service jobs only as a last resort. This emphasis on immediate job placement severely limits a woman's career potential, which might be improved by the acquisition of salable skills. As a result, most female WIN participants who are placed in jobs tend to end up with the lowest paid and most demeaning work which offers little chance for

significant salary increases.⁴⁰ Between January and June 1977, the average hourly wage of male WIN participants was \$3.69, while female WIN participants averaged \$2.72.⁴¹ Finally, "if day care is available, a mother must accept it whether it provides for her children or not...."⁴²

Comprehensive Employment and Training Act (CETA)

The purpose of the Comprehensive Employment and Training Act of 1973 is to provide training, employment, and other services to the unemployed, the economically disadvantaged, and the underemployed. In February 1975, approximately one-third of the participants in CETA were women.⁴³

Due to the segregated job market, discrimination, the traditional role of women as homemakers, and the resulting lack of work experience and salable job skills, the CETA program must be analyzed in the context of how well it meets the special needs of eligible women. The decentralized administrative structure of CETA allows great discretion to the prime sponsor in assigning participants to different types of training slots, usually resulting in the placement of women in training programs for stereotypically "female" occupations, such as health and sales. The program also fails to serve older women living with their husbands in families below the poverty level. If these women live in states with AFDC-UF they are also excluded from WIN, the effect being that they are eligible for neither WIN nor CETA.⁴⁴ In the remaining AFDC states the tendency has been for CETA and WIN administrators to "compete" for the younger clientele while ignoring older needy women. Furthermore, in most CETA programs, women are not encouraged to participate if their husbands are present. "It may be that local CETA systems will not turn away these women, but...they are not sought after as high target groups."⁴⁵

Child Care

Child care programs best exemplify the patchwork nature of the welfare system. In 1972, there were at least nine different federal agencies legally authorized to provide funding for child care projects under at least eight programs.⁴⁶ In addition, states may opt to use Title XX funds to provide child care on a matching 75 percent to 25 percent federal-state basis. In 1976, 25.2 percent of the total Title XX monies were utilized for this purpose.⁴⁷ Funds under AFDC/WIN are allotted to states for child welfare services, including child care. Of the total \$226 million allocated under AFDC/WIN in fiscal year 1977, an estimated \$4.7 million was used for child care to 19,000 children. In general, the estimated total federal expenditures for child care in 1977, including tax credits, was \$2.5 billion.⁴⁸ Even with this large amount

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of money, the lack of child care facilities continues to restrict poor mothers from attaining self-sufficiency. "While 1 out of 3 mothers of preschool children works, licensed centers nationally have only 900,000 spaces for these 6 million children."⁴⁹

Food Stamps

Eligibility for food stamp coupons is based upon the size and monthly net income of a household unit.⁵⁰ These in-kind benefits are uniform across the nation and since 1974 have been provided through all counties in the United States.⁵¹ Women constitute 66 percent of all food stamp recipients between the ages of 18 and 34. Twenty-seven percent of food stamp recipients were over 66 years of age; sixty-seven percent of these people are women.⁵²

Use of the household unit size in determining eligibility allegedly provides an incentive for low-income families to live together, theoretically allowing them to take advantage of economies of scale resulting from the pooling of resources. In contrast to the definition of a family unit, the household unit definition allows for a wider variety of living arrangements for recipients and thereby broader coverage of those in need.⁵³ The Food Stamp Program also avoids the work disincentive found in other public assistance programs by reducing benefits only slightly as income increases.⁵⁴ However, the generous benefits and "liberal" work incentives have the effect of increasing the eligible population by including persons who have relatively high incomes. Also, if counted with the other welfare cash benefits and in-kind services such as Medicaid, the overall effect of the program may be to decrease the work incentive such that people choose to continue to receive the combined in-kind and cash benefits rather than work.⁵⁵ This impact is diminished to some degree by the stigma of welfare and the limited choice as to how the coupons can be spent. Overall, the Food Stamp Program exemplifies the high cost of a fairly neutral policy which serves a broad needy population with moderately high benefits.

THE PRESENT SITUATION

Statistical Profile of Women in Poverty

In 1976, 12.2 percent of all women over sixteen years of age lived in poverty. The comparable figure for men was 7.7 percent. In actual numbers, 10,034,000 women over sixteen lived in poverty, while 5,736,000 men over sixteen lived below the poverty level. In the same year, 48 percent of all families below the poverty level were headed by females. Of all unrelated persons below the poverty line, 66.5 percent were women. Although the

number of families with male heads living in poverty decreased by 8 percent between 1975 and 1976, the number of poor families with female heads increased from 2.4 to 2.5 million during the same period, an increase similar to that observed the year before.

Examination of families with female heads below the poverty level in 1976 reveals several interesting facts. Of the total, 74.1 percent were of prime childbearing age (fourteen to forty-four) and 74.7 percent lived in families of two to four members. Over 50 percent had one or two children, with only 7.9 percent having no children under eighteen years. Surprisingly, 8.6 percent of the female heads living in poverty had attended college, although the number of years attended is not ascertainable. Of the 60.9 percent who attended high school, 29.2 percent had graduated. About one-fifth of the female heads had less than an eighth grade education. By race, poor female heads of Spanish origin had distinctively lower levels of educational attainment. Of this group, 64 percent had an eighth grade education or less. Only 11.3 percent had finished high school and 2.7 percent had attended some college.

Of all female-headed poverty level households, 65.9 percent were not in the labor force. Approximately the same percentages of whites and blacks were in the labor force, but black female heads were more likely to be unemployed. Most of the poor women who worked did so part-time. Of those who worked, 71.6 percent worked in clerical, sales, and service occupations, including private household service.^{5 6}

Reassessment of Goals

The main tenet of this paper—that every person should be afforded an equal opportunity to develop his/her full potential and to seek self-sufficiency—naturally embodies the principle of neutral treatment as regards sex and/or marital status. We offer the following definitions as a basis for our analysis:

Neutrality—a policy which does not influence a person's choice concerning such fundamentals as marriage, childbirth, or familial responsibility, regardless of sex.

Equity—benefits are fair and uniform, so that people in the same circumstances are treated in the same manner.

Adequacy—benefits plus private income are sufficient to sustain life and provide basic amenities.

Incentives—benefits are not substitutes for savings, private income, or family obligations.

Efficiency—programs are administered at the least cost commensurate with program integrity.

Cost—resources are used effectively to ensure the lowest possible cost in the process of achieving the goals.

PROGRAM FOR BETTER JOBS AND INCOME

Major Provisions

The Carter Administration's *Program for Better Jobs and Income* is a comprehensive plan aimed at alleviating many of the problems caused by the uncoordinated and categorical nature of the current welfare system.^{5,7} PBJI is primarily focused on relating work to welfare by guaranteeing jobs or income floors at 65 percent of the poverty level. The proposal also extends uniform federal cash assistance grants to all persons below the poverty level, including single individuals, two-parent and extended families, and childless couples. The Carter proposal simplifies management of the system by increasing the federal government's role in the administration of uniform rules which replace the complex categorical requirements of the current system. The primary financing of PBJI is shifted to the federal government in order to provide fiscal relief to state and local governments. Finally, the Carter plan is aimed at promoting family stability.

Positive Impact on Women

Many of the provisions in the *Program for Better Jobs and Income* will alleviate the discrepancies in the current system which negatively affect women. First, universal benefits available to all low income persons regardless of their family structure will extend coverage to women who are currently ineligible—single, divorced, and widowed women without children, low income married women, and women living in extended families. Also, if states supplement the basic benefit, the replacement of AFDC in-kind services and Food Stamps with cash grants would provide recipients with greater control over how their money is spent. This can be particularly important for mothers who can utilize these grants for their children's other needs. Secondly, the benefits for single-female-headed families will be higher in fourteen states which currently offer low benefits. Third, the high priority of jobs and training as an integral part of the welfare system recognizes that people living below the poverty line often do not have salable skills necessary to find work and that only through jobs placement and adequate training can a person achieve independence from the welfare system. The social and educational biases against women developing such skills and/or working in the labor force make this an extremely important provision for women who need to work. The allocation of approximately 300,000 part-time positions and the provision for flexitime in the jobs component will allow women who are responsible for care of their children to develop skills and earn income for their families. Finally, the uniformity and federalization of the welfare

system may decrease state discretion in setting eligibility requirements and selecting program participants, which has frequently resulted in subtle and not-so-subtle sex discrimination.

Negative Impact on Women

Although the Carter Plan appears neutral, several provisions merit scrutiny for their potentially negative impact upon women. One such provision is the Public Service Employment (PSE) eligibility definition of the "principal earner." The principal earner is defined as that person in a family with children who had the higher earnings or worked more hours in the six months prior to application for assistance. Thus, each single-parent family is eligible for a PSE job or training slot if the principal earner is unable to secure employment in the private or regular public sector. However, the provision as applied to two-parent families negates the goal of allowing persons of both sexes to achieve their "full potential as workers and human beings."⁵⁸

The principal earner in a two-parent family can be either parent if (a) neither has worked in the last six months, or (b) both have worked but one has made more money *or* has worked more hours during the last six months. If the parent who worked the most hours also made the most money, that parent will be deemed the principal earner. Lastly, if the principal earner is incapacitated or otherwise unavailable for work, the secondary earner is allowed to take the position.

The Department of Labor (DOL) contends that this provision is the fairest and simplest way to assure income maintenance to those most in need.⁵⁹ However, DOL's assertion that the rule is not sexist (*per se*) contradicts the fact that estimates derived from a DOL simulation model show that in only 13.6 percent of two-parent families will women be the PSE participant.⁶⁰

If the long-term goal of welfare reform is to assist families in achieving independence and self-sufficiency, it is self-defeating to impose arbitrary criteria as to how the family can utilize the jobs provision. Even if fiscal limitations require allocating only one PSE position per family, the rationale for further government specification of whom that PSE participant will be cannot be reconciled with this goal. The neutral policy goal of freedom of choice is violated without any real benefit to the family or any real savings to the government. Once a family's need for a PSE job or training slot is established, a neutral policy would allow the family to decide which parent would participate.

The principal earner concept also perpetuates the continued dependency of women on other sources for support. If DOL estimates are correct in stating that 13.6 percent of the principal earners are women, the remaining 86.4 percent of these women in two-parent families may be forced to forego

completely the opportunity to acquire work experience and salable skills. Given the high divorce and desertion rates, it is likely that these women will someday have to support themselves and their children. Elimination of the principal earner designation would greatly improve women's opportunities to gain work skills and experience if they choose to do so.⁶¹

The principal earner provision also raises practical and philosophical questions regarding adequacy and costs. An example is its effect on two-parent families in which the person designated as principal earner has earned more money *and* worked more hours during the preceding six months. The policy, in effect, requires the person who has the best chance of finding employment in the regular job market to accept a PSE slot after only a five-week search. This results in a cost to the family based on the lost opportunity for the secondary earner to use the PSE position to support the family while allowing the "principal earner" ample time to seek employment in a higher paying private or regular public sector job. In addition, evaluations of the WIN program indicate that it is the person with the *least* work experience who benefits most from public sector employment programs.⁶² In terms of adequacy and independence, this policy may severely restrict a family from the immediate and long-term benefits of a two-earner family.

The principal earner debate ultimately raises the philosophical consideration of how income support funds should be allocated. The principal earner provision embodies the concept that equity has priority over adequacy. The argument based on allowing each family maximum access to work opportunities in PBJI is necessarily less equitable. However, if the major goal of PBJI is to assist disadvantaged families in developing self-sufficiency, adequate opportunity for jobs and training must take precedence over equity. In terms of administration and cost, this emphasis is more feasible than it appears. Under PBJI, the government's ability to supply enough PSE jobs to meet the demand is improbable. Therefore, some people will have to wait before entering the jobs program. By establishing voluntary or first-come-first-served priorities, and at the same time allowing both adults in eligible families to participate in PSE if necessary, the family's ability to earn an income above the poverty line will increase at a faster rate. Once this is accomplished, room can be made for serving the next person in line. In terms of equity, those having to wait will receive adequate benefits, and in the *long run*, equity is maintained, since all families may have to experience some delays. Moreover, the dual guaranteed-income/guaranteed-job approach of PBJI to income maintenance should prevent total destitution for any family.

The primary argument against the above suggestion is cost. However, costs must be assessed in terms of the short- and long-run monetary and social benefits. In the short run, costs may increase due to the additional cash assistance necessary for those families who have to wait longer to begin PSE

than they would have under the current proposal. If this temporary waiting period is too long, the social cost could be high, as participants would probably become discouraged and general disenchantment with the plan would hurt its potential success. Therefore, short-run costs will primarily depend on the success of the jobs component in training and placing participants in jobs leading to economic self-sufficiency. Long-run costs also depend on the efficiency and effectiveness of PSE. If reasonably successful, more families will permanently leave the welfare rolls, thereby allowing more persons to participate. Even if this plan costs more in monetary terms (up to some limit), the potential social gains from a welfare system providing opportunities rather than subsidies for those in need would far exceed the monetary costs. In addition, with families achieving independence at a faster rate, children in these families will have a better environment in which to mature.

In summary, the decision to eliminate the principal earner provision is one in which adequacy and independence must be weighed against feasible costs. In a society which holds the ideals of equal opportunity and self-determination, the judgment should not be a difficult one. However, it will ultimately depend on the government's ability to demonstrate that the social and long-run economic benefits derived from a successful welfare system are greater than the monetary costs of providing it.

As previously mentioned, the number of jobs provided in PBJI may fall short of meeting the total need of the eligible population. Assuming that a system of priorities is needed to allocate PSE slots, the criteria for assigning priorities and the discretion given to the prime sponsors administering the jobs component will greatly affect women's participation and potential for achieving independence.

The "expected-to-work" classifications, if used to rank eligibility for the jobs program, will reduce the opportunities for those who are not expected to work, i.e., single parents with children under six. Similarly, the part-time work requirement for single parents with school-aged children places these parents, mostly women, on a lower level of priority, as their participation in full-time positions may be seen as voluntary instead of necessary. Accordingly, prime sponsors may view their placement in the full-time positions as discretionary. As the number of part-time jobs is inadequate, some women with school-aged children will be without jobs altogether, despite social expectations and their own aspirations.

If priority is based on the prime sponsor's perception of short-run cost-effective placement, it is likely that many single parents will rank low on the list of applicants because of their need for support services such as child care. The older woman without children who is expected to work may also

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suffer from the discretion of a prime sponsor who views her placement or training as difficult and inefficient. Thus, based on the undesirable effects of these options and on the historical problem of discrimination in the current CETA program, it is imperative that strict federal regulations regarding the placement of participants in jobs and training be devised and enforced.

The basic dilemma in the previous discussion of the jobs component is that of work requirements versus work incentives. Given that the work ethic is a fundamental premise of this society, the welfare system must incorporate work as a condition for both receiving and setting the level of benefits.⁶³ However, the use of work requirements in current welfare programs has been largely unsuccessful, primarily due to the lack of available decent jobs and poor enforcement that allows persons wishing to avoid work to easily do so.

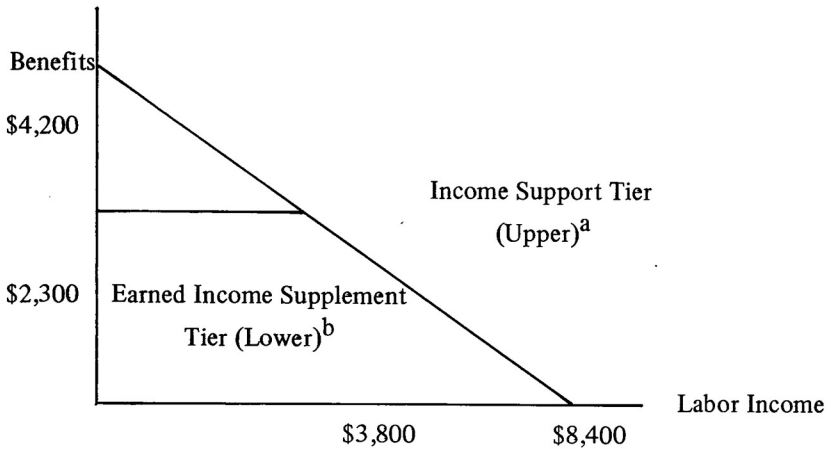
Under PBJI, the work requirements and the corresponding placement on the upper (income support) and lower (earned income supplement) tiers continue to create family instability and work disincentives, although to a lesser degree than in the present system. For example, a two-parent family of four is placed on the lower tier and receives \$2,300. (See Figure 1.) If the principal earner leaves the family, it automatically moves to the upper tier and receives \$3,600 in benefits if the remaining parent is not required to work or cannot find work. The person who leaves receives \$1,100 as a childless individual if no job is available. In this case, the family can receive higher total benefits by breaking up and if no jobs are available.

The work requirement also relegates the job of childrearing to a secondary status by requiring women, who constitute the majority of childrears, to take work regardless of the desires or needs of the family. Single-parent families, 95 percent of which are female-headed, are arbitrarily assigned to the lower income tier if the parent chooses to stay at home to care for a child over six years of age. This requirement fails to account for the parent's role as childrears and the restrictions this role places on the amount of time he or she *can* work. This is the essence of a non-neutral policy and illustrates the dilemma in developing new policy that does not affect individuals' choices but is constrained by a work ethic which in the past has failed to accord economic value to the "job" of rearing children. A neutral policy would in fact give credence to this function by extending the *choice* of work in the economic market or work in the home to the person of either sex who is responsible for rearing the children. Thus, while welfare policy must not define women as childrears, it must not ignore the importance of this function to society.

A final problem with the work requirement is that it is aimed at the minority of people eligible for welfare. The results of income support experiments have shown that it is the lack of jobs rather than the lack of desire which places people in poverty. For women, child care responsibilities

FIGURE 1

**BASIC ANNUAL BENEFIT SCHEDULES FOR 1978
FOR FOUR-PERSON FILING UNITS***



*From *Work, Welfare, and the Program for Better Jobs and Income*, A study for the Joint Economic Committee, p. 15.

Benefits vary according to the type of filing unit on each tier.

- a) Includes those persons not “expected” to work;
 - Single-parent families with children under six years old
 - Aged, blind, disabled
- b) Includes those persons “expected” to work;
 - Two-parent families
 - Single-parent families with child six years or over
 - Childless couples
 - Single individuals

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and the lack of skills add to this problem. Therefore, the work requirement is an inefficient and non-neutral attempt to embody the work ethic in PBJI.

As an alternative which eliminates the work requirement and emphasizes work incentives through tax credits and benefit levels, the neutral policy would allow maximum freedom of choice; work provisions would be associated with opportunity instead of coercion; more efficient allocation of administrative resources would be made possible by shifting emphasis from enforcement to training and placement of those desiring to work (the majority of the poverty population); and job placement would thereby be more successful, improving the opportunity for self-sufficiency. Although there will remain a segment of persons who subsist on welfare assistance because they do not want to work, the low benefits will discourage abuse of the voluntary-incentive system, abuse which is already possible under the current PBJI. More importantly, the costs of abuse would be minimal compared to the potential societal benefits of a positive and more humanistic welfare system.

Whether or not the PBJI work requirement remains intact, and political feasibility virtually guarantees that it will, the need remains for explicit affirmative action guidelines. The discretion enjoyed by the CETA prime sponsors regarding jobs, training, and placement in PBJI is substantial. Considering the potentially inadequate supply of PSE positions for eligibles, the traditionally "male" nature of 80 percent of the targeted occupations,⁶⁴ and the historical inertia of CETA prime sponsors regarding employment of women, PBJI fails to deal directly with the problem of what may be termed "discretionary discrimination." The bill lacks provisions stressing affirmative action and nontraditional training and placement of women to help break the cycle of occupational segregation which keeps women's wages below those of men and which retards the female participants' opportunities for upward mobility. DOL asserts that employment discrimination is being battled by a variety of agencies backed by antidiscriminatory laws. As previously noted, these agencies are already overburdened. It is therefore important to include measures for eradication of these problems at the very outset of a job creation program rather than to burden further the already overworked enforcement agencies. Without such specific and strong provisions in the laws and regulations of PBJI, the subtle discrimination that so frequently goes unrecognized will continue.

The Department of Labor's allocation of 150,000 part-time child care job positions exclusively for single parents⁶⁵ typifies the occupational segregation to which women have been subjected for centuries. The Department's response is logical, but unimaginative. The positions are necessarily part-time; part-time jobs are needed by single parents of school-aged children; these people obviously know something about child care—so the slots are reserved

for single parents with children between the ages of six and fourteen. However, 95 percent of single parents with school-aged children are women, and these women will be channeled into low-pay, low-status, low-skill, and upwardly immobile jobs simply by virtue of their status as mothers of school-aged children.

Not knowing what percentage of all child care slots will be part-time, it is difficult to suggest a workable scheme for filling the jobs without exclusive reliance upon women. A possibility is job sharing between a principal and a secondary worker in two-parent families, whereby a 40-hour work week could be split between the two parents with both possibly working joint hours. This scheme would not only eliminate or reduce sex stereotyping, but would also enable two family members to gain some work experience from one PSE slot, multiplying the effectiveness of this component. At any rate, the *de facto* sex designation inclusion embodied in this decision must be eliminated. There is no reason to think that the children or the single parents benefit from the scheme. Nor is there reason to believe that many of the other types of jobs foreseen by DOL are incompatible with part-time hours.

Related to the need for part-time jobs is the provision for adequate child care for mothers who work outside the home. Due to societal standards which designate women as the primary childrearers, the issue of adequate child care in PBJI is directly related to the opportunities for mothers to work, either by requirement or on a voluntary basis. Thus, day care will directly affect the income of a poor family vis-à-vis earned income and cash benefit levels. The availability and cost of child care will influence poor women's choices of gaining the work income, skills, and experience which can increase their long-run economic independence—an important factor in light of the growing number of female-headed families and the rising divorce and abandonment rates. The Department of Labor estimates that one million mothers will be required to work under PBJI and another 500,000 are expected to volunteer.⁶⁶ These figures translate into approximately three million children for whom some kind of child care will be needed.

As explained above, a two-parent family is automatically assigned to the lower earned-income tier, and at least one parent is expected to work. All one-parent families (assumed for purposes of this discussion to be female-headed due to the fact that less than 5 percent of all single-parent families are male-headed) are placed on the upper-income support tier, with mothers of children six years of age or younger not required to work, although they may choose to do so. Mothers of children seven to fourteen years old are required to work part-time, with exemptions allowed only if the child needs "special supervision or care" (as amended in the House Subcommittee on Welfare Reform). Women with children over fourteen are assigned to the lower tier, as are women who refuse work while on the upper tier. All of these women who

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work are allowed to deduct \$150 per child per month (limit of \$300 per month) from their earned income before calculation of income support payments. The mother retains discretion as to the type of child care. The result of this credit is that the break-even point for benefits is raised from \$9,400 to \$13,000 for female-headed families on either tier. In effect, this expands the eligible population of female-headed families to those with incomes below \$13,000, if work-related child care is utilized.⁶⁷ The jobs component of PBJI also provides \$1 billion for an estimated one million child care slots in formal child care arrangements. The House subcommittee further specified that a small percentage of CETA job funds be used for child care and referrals; however, the actual amount is unknown at this time.⁶⁸

Besides the question of women's choice to stay at home to care for their children, the child care provisions in PBJI raise several important issues regarding women. The primary issue is whether to allocate child care monies to federal facilities or directly to the family. Advocates of the former argue that low income families will be more likely to use their limited resources on necessities other than child care. In addition, a study by the American Public Welfare Association under contract with HEW found that organized and supervised care is consistently better than informally arranged care.⁶⁹ An alternative proposal, a federal child development program, could provide uniformly high standards which assure mothers at work that their children are properly cared for, and, along the lines of Head Start, could begin the educational process which would facilitate the children's breaking out of the poverty cycle. Such a program is hindered by three problems: unknown demand, high costs, and the charge of "socialistic" child care.

Corresponding to the unknown demand problem is the issue of whether the number of child care facilities is sufficient to provide working opportunities to all parents who want or are required to work. Allowing the parents to choose through the wage disregard also provides flexibility to meet their diversified needs. In support of the PBJI child care provisions, the Administration cites studies showing that poor women prefer informal, usually family-related care for their children. Conversely, opponents argue that the "preference" indicated in studies is invalid because federal child care options are limited and result in no choice other than family-related care for most of those in need. Currently there are long waiting lists for federal child care slots, a fact that seems to indicate that when provided, federal child care is desired. Short of a child development program, opponents to the PBJI provisions support the funneling of federal monies into expanding Title XX child care facilities open to all families on a sliding-fee/income-test basis.⁷⁰

Another issue, related to those above and of extreme importance, is the adequacy of the tax deduction in PBJI. The Administration derived its proposed figures by averaging the itemized costs of child care for current

AFDC recipients. However, the Child Welfare League estimated that the average expenses of care for one child are: "minimum"—\$185/month; "acceptable"—\$276/month; and "desirable"—\$344/month.⁷¹ Given these estimates, as well as regional cost variations, the PBJI amounts appear to be inadequate and arbitrary. Moreover, if the family chooses informal care the expenses will be high. For example, at \$2 an hour, 8 hours a day, 5 days a week, the cost would be \$320 per month for full child care of unknown standards. If child care costs are higher than the allowable deduction, a disincentive to work may occur. For example, cash assistance may provide more income to unemployed parents than earned income minus child care and other work-related expenses. This is especially true for families with more than two children in need of child care costing more than the \$300 limit.

Resolution of these issues requires a trade-off between high costs in the short run and self-sufficiency of the poor families, parents and children, in the long run. The goals of individual self-sufficiency through employment opportunities might be attainable if a comprehensive child development program is available to all families on a sliding-fees/income-test basis. Failing this, the child care provisions in PBJI must be adjusted to reflect actual child care expenses, more federal centers must be provided, and quality standards must be instituted and maintained for all child care facilities.

The treatment of child support payments under PBJI presents another problem of sex-linked distinctions in determining income. Child support payments are considered unearned income and therefore reduce the monthly grant by 80 percent of the support payments received. However, if the absentee parent were present in the home, his or her in-kind support services would be totally excluded from income—earned or unearned. This contradiction impressively demonstrates the different values put upon parental responsibility by sex. The services of an at-home parent in a two-parent family, usually the female, are considered valueless and are not taxed, whereas support payments made by an absentee parent are placed in the same category and taxed at the same rate as royalties, dividends, and rents. While favoring intact families with an at-home parent, this policy continues to undermine the principle that both parents share a responsibility for their offspring.

On the most basic level, the child support provision raises questions of incentives, equity, and adequacy. Assuming that both parents should contribute toward the support of their children, the provision offers slight incentive for the absentee parent to pay child support if he/she knows that 80 percent of the payments will not directly benefit the child. Likewise, the non-absent parent has little incentive to pursue child support agreements or payments. This parent's gain will only be 20 percent of the amount paid,

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possibly an insignificant amount when weighed against the time and trouble of pursuit.

The importance of providing income maintenance for children is an integral part of the proposal, exemplified by the fact that families with children receive some minimum level of cash assistance even if the "expected-to-work" adult refuses a job. The importance of this goal to the proposal highlights the inequity of the child support provision that in effect punishes the child living in a broken home by taxing that child's support payment at 80 percent, but applying an "earned income" tax rate of only 50 percent on the income were it provided by a non-absent working parent. For once, the issues of equity, incentive, and adequacy pose no conflicts. Taxing child support payments at the 50 percent rate of earned income would increase the amount received by the child, would increase the incentives for pursuit, payment, and collection of child support agreements, and would help reduce the differential effects felt by a child of a broken home as opposed to a child of an intact family.

A final area of major impact on women is the PBJI provision for state supplementation.⁷² The uniform income support benefits, or cash assistance, provided under PBJI will greatly reduce the glaring inequities caused by widely differing state supplements in the present system. Due to this variance between states, the PBJI basic income guarantee will fall below the existing support levels in approximately thirty "high" benefit states. A state is determined to have "high" benefits if the combined AFDC and Food Stamp payment is greater than the \$4,200 base support provided in PBJI. Therefore, it is necessary that states continue to supplement the new federal benefits in order to avoid decreases in assistance to those persons currently on welfare. The extent of a decrease will depend on the tier a family is assigned to as well as the existing benefits a particular state is now providing that family. Generally, the majority of two-parent families will experience increased income assistance regardless of state supplementation, since these families are ineligible for any assistance in the present system. The exceptions are two-parent families receiving AFDC/UF/Food Stamps in high-benefit states.

The effect on single-headed families, again primarily involving women, is less positive. If states do not supplement federal payments, such families living in the approximately fourteen "low"—benefit states will receive higher benefits, while those families in the remaining thirty-six states will receive smaller income support payments. (The difference between the previously mentioned thirty high-benefit states and the fourteen/thirty-six estimate is due to anticipated increases in supplementation by six states prior to the implementation of PBJI.) The decrease for those living in high-benefit states results from a stricter tax rate on earnings (50%) and less generous treatment of work-related expenses under PBJI. Thus, the states' choice to supplement,

and the level of supplementation, will disproportionately affect the female-headed families in poverty.

Whether or not a state decides to supplement will depend on several intricately related factors. The Maintenance of Effort (MOE) provision in PBJI requires that all states continue to supplement benefits at 90 percent of their current expenditures during the initial year of PBJI. Thereafter, the MOE requirement decreases by 30 percent each year, and is eliminated after the third year. The 90 percent requirement virtually guarantees maintenance of benefit levels in all states during the first year of PBJI implementation. However, as the MOE requirement expires, the incentive for states to continue supplementation will decrease because federal fiscal relief will be greater if state assistance is lower. The disincentive is reinforced by the fact that the money saved may be used for other state activities besides supplementation. At the same time, PBJI's Hold Harmless clause guarantees matching federal payments for state supplements only as long as the total assistance per recipient is not greater than some preexisting level. The end result of this relief policy is that states are less likely to supplement after the first year. Furthermore, PBJI stipulates that cash assistance supplements must be matched by wage supplements up to 10 percent of the minimum wage in order to maintain work incentives. This added cost of supplementing will directly affect the states' choices. Combining these programmatic features with the general economic and political situations in each state, it would appear that continued supplementation is probable for a few high benefit states only. Thus, the current inequitable benefit differentials between states may continue to be a problem in PBJI. More importantly, in the thirty-six states where recipients will lose benefits if the state does not supplement, female-headed families will find themselves in a worse situation than under the present AFDC/Food Stamp programs.

RECOMMENDATIONS

Recommended Changes in PBJI

While we applaud the efforts of the Administration in initiating simplification of present programs, universal coverage for all low-income persons, and an integrated jobs program, we propose several changes that would lessen the inequitable effects upon women in poverty.

First, the "principal earner" provision should be eliminated, allowing the low-income parents to decide which person will apply for the public service employment slot.

Secondly, we feel that the work incentive of the program coupled with the desire by low-income people to work eliminates the need for the work

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requirement, a non-neutral requirement hardly susceptible to enforcement.

The need for explicit affirmative action guidelines and the elimination of all sex discrimination is of paramount importance in assuring the integrity of the jobs program. We recommend that the national administrators of the jobs program be required to furnish each job applicant a simple, concisely written summary of his/her legal rights, remedies, and duties, in a provision similar to that provided by the subcommittee for the cash assistance program.

We recommend that mothers be afforded an equal right to pursue job and training opportunities by the provision of comprehensive, nonsexist child development programs. These programs should be monitored for compliance of national guidelines, and the \$300 limit on deductions for child care expenses should be revised to correctly reflect the actual costs of quality child care.

We also recommend that the Administration more vigorously and imaginatively examine the potential for increasing part-time and flexitime jobs for the jobs component of PBJI. The effect of an increase in these types of jobs would be to allow individuals and families greater flexibility in their off-work hours, making continuing education and the sharing of familial responsibilities easier. To the extent possible the Administration should encourage the creation of part-time and flexitime jobs in the private sector to facilitate the transition from public to private sector employment.

To encourage familial responsibility, we suggest that the incentive to pay and to collect child support payments be at least equal to the work incentive, by the consideration of child support payments as earned rather than as unearned income.

We also suggest that the Maintenance-of-Effort/Hold Harmless provisions be modified to guarantee continued state supplements past the three-year implementation to the degree that no decrease in state supplementation be experienced by program participants.

Other Recommendations

We recommend that all departments and agencies be required to collect, tabulate, and analyze data relating to persons on the basis of sex in order to assess the impact of various governmental policies upon women. We more specifically recommend that female unemployment figures portray the true picture, that information of child care supply and demand be collected and published, and that the Bureau of the Census include in its collection of data the classification of married-female head of household.

Finally, we recommend the use of gender-neutral language and concepts in all government proposals, regulations, and guidelines.

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PART II

REGIONALISM: IT'S IMPACT ON THE DEVELOPMENT OF AN EQUITABLE PROGRAM

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REGIONALISM: ITS IMPACT ON THE DEVELOPMENT OF AN EQUITABLE WELFARE PROGRAM

EXECUTIVE SUMMARY

Current formulas for allocating federal welfare funds and state discretion in the expenditure of such funds have fostered the development of a welfare system in this country that is fraught with inequities. This analysis identifies disparities in welfare expenditures that occur between two *regions* of the country, the North and the South, and it assesses the regional impact of the fiscal relief provisions of the Carter Administration's welfare reform proposals.

Differing historical, political, economic, and social environments in the North and South have led these regions to provide for similarly situated poor citizens in different ways. While grounded in sociopolitical differences, current regional disparities in welfare policy and program implementation are now primarily defined in economic, rather than social, terms. Two types of fiscal inequities currently exist, one in benefit levels provided by the states and the other in state shares of welfare funding. Northern states pay both higher benefits and a greater proportion of the total costs of welfare programs than do Southern states.

Limits on federal budget expenditures, the need to protect current high-benefit recipients in some states, and the premise of states' rights will constrain any attempt to achieve a system that is totally equitable. Attempts to develop fiscal relief measures that make the sharing of welfare costs more equitable between the states will take on "regionalistic" overtones as each section of the country applies its own self-favoring definition of "equity" in allocating this relief. The South favors equity measures based on notions of "fair shares", while the North favors a distribution related to current financial troubles that affect a state's "ability to pay."

One goal of President Carter's proposal for welfare reform, the *Program for Better Jobs and Income* (PBJI), is to *reduce* the two kinds of regional economic disparities. PBJI calls for a federally guaranteed uniform minimum benefit level and new federal-state funding formulas that should result in significant savings for each state in financing its cash assistance program, both in the North and the South.

Interregional migration patterns have implications for reducing regional economic disparities over the long term in welfare, just as past patterns have helped create the existing inequities. State reactions to the short-term fiscal relief provisions of PBJI are difficult to predict, and therefore the long-term effects on allocations of future state budgets are also relatively unknown.

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Despite these uncertainties, the reforms of uniform minimum benefit levels and state fiscal relief embodied in PBJI are feasible approaches to a more equitable welfare system.

INTRODUCTION

The United States has always struggled to accommodate the differences of political, economic, and social systems of geographical regions within its national policies. With the exception of the Civil War, political compromises have been successfully hammered out in a forum that avoided sectional conflicts. However, neither the outcome of the Civil War nor these compromises has been able totally to eliminate regional identification among the nation's people. Even today, many citizens and their elected officials perceive a commonness in their needs for governmental services that cluster along regional geographical lines. Because of this, the nation is constantly in danger of losing its unified sense of purpose in providing its services for the welfare of *all* of its citizens.

President Carter's *Program for Better Jobs and Income* (PBJI) allows yet another chance for focusing national attention on the continued existence of regional differences within the country. Consideration of his proposal points out that the treatment a welfare participant receives now is greatly dependent on whether he/she lives in the Northern or Southern part of the country. Also, federal funding formulas and internal migratory patterns have had and continue to have regional implications on the allocations of federal funds for income maintenance programs.

The provisions of the current mix of programs have created two kinds of disparities in the welfare system. First, people in different states receive different levels of welfare benefits. Second, one state pays for more of the costs of its welfare programs than another state pays, with the federal government then picking up different proportions of the balance. The present welfare system, with these disparities, can therefore be seen as inequitable. From the point of view of the welfare recipient, the system is inequitable because it does not assure "like treatment for people in like circumstances" in different states. From the point of view of the states, the system is inequitable because states pay varying percentages of their total welfare expenditures. In the latter case, some states, mostly in the South, believe that each state should receive its fair share of fiscal relief. Others, mostly in the North, feel that a state's share of relief should be related to its *financial need* and its *ability to pay* the costs of supporting its welfare effort.

The term "equity," as it is used in this paper, does *not* imply that the system will be "adequate" in its treatment of welfare recipients. Families on

welfare in different states can be treated equally, and thus, equitably, without receiving a benefit level adequate to meet their essential maintenance needs.

Past state decisions and practices restrict the practical alternatives that will treat both individual recipients and individual state budgets in an equal, or equitable, manner at the same time. Three major constraints stem from "grandfathering," "states' rights," and federal budget limitations. Regional differences will persist. Some states, mostly those in the North, will feel a need to protect the financial interests of their current higher-benefit recipients. This is known as "grandfathering," and the concept requires a state to maintain its existing higher, and therefore technically inequitable, benefit levels to ensure that no family is made worse off just because of a change to a new program. In addition, other states, such as those in the South, cannot be forced to increase their own welfare expenditures against their wishes. This is called here the constraint of "states' rights," since such action is neither enumerated as a power of the federal government in the U.S. Constitution, nor can it be inferred from the powers that are enumerated. Limits on the size of the federal budget will also constrain attempts to devise a welfare system that is both equitable and adequate and thereby overcome all regional disparities between recipients and between states.

Yet, the provisions for a national minimum benefit level and the choice of formulas for attaining greater state fiscal relief contain in PBJI (H.R. 9030) offer feasible solutions to welfare reform that work within these constraints, and, in at least the short run, reduce the regional disparities faced by both recipients and states in the current welfare system.

The long-term effect of PBJI's fiscal relief provisions and its relationship to regionalism are difficult to predict. For example, while PBJI attempts to reduce regional disparities, there is very little to prevent politicians from reinserting provisions in welfare proposals at a later date that will serve to financially favor one region over another. Previous actions taken by states when responding to changes in other similar income maintenance programs provide few clues about the regional variations that can be expected in response to current welfare reform proposals. Moreover, there is no way to know whether the current political, social, and especially economic conditions signal long-term shifts in each region or represent short-term aberrations in existing patterns. Specifically, current surpluses in Southern state budgets and deficits in Northern states may not be static conditions. Political decisions regarding resource allocations based only on short-run fluctuations may have unintended and detrimental consequences when conditions again change. Both the short- and long-term effects of fiscal relief through welfare reform on a state's relationship to its local governments, its reactions to voluntary supplementation provisions, and its commitment to social services

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and other income maintenance programs, are difficult to project.

The changes in benefit levels and state shares of funding welfare programs suggested by PBJI may, if adopted by Congress, establish precedents that other income maintenance programs may follow. What appears to be a marginal change now may be used later as the basis for other, more fundamental changes.

Other Definitions

For purposes of the following analysis, the "North" is defined as the Northeast and North Central sections of the country, stretching along a line from Maine to Minnesota. This is the area commonly known as the "Frostbelt." The "South," or "Sunbelt," is the lower half of the country, from the South Atlantic states to Texas in the Southwest. The Western section of the country is not included in either region because the range of behavior of the Western states in relation to the major issues of welfare reform is too diverse to classify them as having group characteristics in common with either the North or the South.

When discussing the relationships between regionalism, migration patterns, and welfare funding formulas, the term "welfare" refers to the broad range of income maintenance programs, such as cash payment, in-kind social services, employment, medical, and housing programs, all of which affect a family's ability to provide for its essential needs. The use of the term "welfare" when discussing equity in benefit levels and fiscal relief refers to the current and proposed cash payment programs, including Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), General Assistance (GA), and Food Stamps. Medicaid, while not a component of the cash payment program, has an important direct impact on it. Medicaid payments may affect a recipient's eligibility for cash assistance and vice versa. Also, medical services are the largest portion of a state's expenditures for income maintenance programs. However, Medicaid is not included in this analysis because the current reform proposal excludes it to allow for a future plan for National Health Insurance.

Finally, benefit levels in each state are calculated on the basis of the payments in cash or its equivalent received monthly through the AFDC and Food Stamp programs by welfare participants with a family of four.

INTERNAL MIGRATION AND WELFARE REFORM

Regional variations in population have had a significant impact on the federal government's responsibility in the allocation of resources, particularly those destined for income maintenance programs. Using population figures as

a criterion, federal and state governments set limits on the number of elected officials representing each region in Washington and in state legislatures. Additionally, formula funding received by a region is determined by population figures and per capita income. These criteria ultimately reflect the importance of the region's economic vitality. Current population shifts, however, are beginning to hit hard at the federal government's continued use of population as a basis for the allocation of resources. These shifts are giving rise to a number of problems, problems that question the accuracy of population counts, estimates, and projections, and question the funding mechanisms used to allocate funds and the resultant regional disparities. The welfare reform programs contained in the *Program for Better Jobs and Income* (PBJI) will be yet another test of the already strained allocation mechanisms. Through it, the federal government will have to explore new methods of funding to ensure the fair and equitable distribution of resources to all participants while, at the same time, providing fiscal relief for the states.

Migration and Federal Funding: Past Patterns and Current Trends

It will not be easy for policymakers to prepare for the impact these current population shifts will have on the future distribution of resources unless they first understand how past patterns have influenced this process. Historically, there have been two major streams of internal migration in the United States. The first, occurring from 1820 to 1890, was a massive East-West movement prompted by the availability of cheap land and discoveries of gold and silver. Recent studies have shown that this East-West movement has continued, supported by increased job opportunities and retirement possibilities. The second stream, often called "a rural-urban movement" because of the large numbers of rural Southern blacks and whites who moved from the area to the urban North, began in 1891 and ended in 1960. This latter stream can be divided into the three following periods (Eaton: 1971, pp. 24-27 and 118-121):

1. The Post Civil War Movement (1891-1910). With the removal of legal impediments to the movement of blacks to other parts of the country, and aided by increased job opportunities in the North, Southern blacks, along with many whites, moved to the North.
2. Era of the Greats (1910-1941). Included the "Great Migration" (1916-1931), the term generally given to the massive movement of Southern blacks to the North, and the "Great Depression" (1931-1940); also called the era of "stagnation" because of the increasing demand for jobs pitted against the decreasing supply of jobs.

3. The Era of Urbanization (1941-1960). It was during this time that the nation was experiencing vast economic gains and the cities, especially Northern cities, were undergoing rapid growth.

Except for the 1820-1890 migration, the general movement has been from the South to the North. This flow has led to the emergence of two vastly different regional economies. For the Frostbelt, the immigration of middle- and upper-income producers, coupled with the region's existing middle- and upper-income population, led to a rise in the total per capita incomes of the region. Furthermore, the broadening of the region's tax base, brought on partly by an increase in the region's industrial productivity, had, until the early 1970s, made the Frostbelt the economic catalyst for the rest of the nation. The Sunbelt, on the other hand, due to declining industrial productivity and continued outmigration of large numbers of income producers, had, until recently, experienced limited growth and an uncertain economic future. During the 1950s, however, the Southern states, because of their declining populations and decreasing per capita incomes, were able to benefit from federal formulas that used low income as an allocation factor. But by 1968, due to the overall decline in the North, coupled with its sparsely populated areas, most federal grants had shifted to the North.

Migration and federal funding patterns have generally worked to the advantage of the Frostbelt. These patterns brought into the area (along with large numbers of poor) a significant taxpaying population and industrial growth that led to an expanded tax base. A sound tax base, coupled with the growing "visibility" of poverty due to infrastructural deterioration, and differences in urban-rural perceptions of poverty, prompted some Frostbelt states to provide broad and relatively high-level public assistance benefits to the poor. Moreover, the expanded tax base improved the Frostbelt's capacity to match federal funds. This in turn led to an increase in the federal dollars being allocated to the area. For example, in the 1950s, during the height of the "urbanization" era, the states in the Frostbelt were receiving the lowest per capita grants. By the 1970s they had become the prime grant receivers, supplanting the Western states; the highest per capita grant receivers until then (U.S. Senate Committee on Appropriations: 1977, p. 560). This is attributable to three factors: (1) increased emphasis by the nation (1955-1965) on research, which greatly benefited the Frostbelt states with their large number of research-oriented universities and institutes; (2) greater emphasis through New Frontier and Great Society programs on aid to states with densely populated urban areas, another plus for the Frostbelt; and (3) the region's capacity and apparent willingness to match federal funds.

Since 1970, growing economic opportunity—especially in the Sunbelt—is

producing migration shifts from the North to the South in general, and from metropolitan to nonmetropolitan areas in particular. The shifts appear to be caused by the mover's desire to escape those factors that are contributing to the decline of the Frostbelt: harsh winters exacerbated by rising energy costs, decreasing public and private investment coupled with increasing taxes, and dwindling space for recreational activities. The metropolitan-to-non-metropolitan shifts result from three factors: (1) easy access to the national metropolitan economy, brought on by advances in transportation; (2) changes in industrial trends; and (3) changes in the American lifestyle (Morrison, 1977). In both instances, the typical migrants have been the educated, managerial-scientific-technical, taxpaying white and black middle classes.

The South-Southwest flow of this taxpaying group has left the older areas of the Frostbelt with the burden of maintaining a less educated, generally poorer, and frequently dependent population, while the Sunbelt gains taxpayers and continues to grow. Hence, what began in the 1960s as a method of unifying the country through the gradual migration of industry and population from the relatively rich Northeast to the relatively impoverished South and Southwest has, during the 1970s, "burst beyond the bounds that can be accommodated by existing political institutions." (*Business Week*, "Second War," May 1976).

Future Implications for Federal Formulas and Options for Change

The federal government uses various methods to allocate funds to the states. Most emphasize either program needs, generally measured by the population served, and/or financial needs, generally measured by per capita incomes.

The reversal in migratory and funding patterns after the early 1970s has stimulated Frostbelt and Sunbelt states to seek changes in the way federal money is distributed. Recent Congressional debates have focused on formulas, particularly those that distribute federal monies on a per capita income basis (*Congressional Quarterly*, August 20, 1977). The Frostbelt states are concerned because the current formulas result in continued decreasing allocations (as they have since early 1970) to their region, and require them to shoulder a disproportionate share of the tax burden, despite their declining fiscal capacity to do so. They claim that they, not the Sunbelt, need federal money the most, and that the Sunbelt, due to its current economic growth, now has the capacity to take on a greater share of the tax burden.

According to Rep. Michael J. Harrington (D-Mass.), a driving force behind

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the Northeast-Midwest Economic Advancement Coalition, this disproportionate tax burden shouldered by the Frostbelt is due to "a discrimination against the Northeast which has been going on for a long time...; the discrimination is the result of a consistent pattern of regional favoritism which is wholly inappropriate to today's economic needs" (*National Journal*, 1976). The regional favoritism Harrington refers to is that the Frostbelt has been receiving relatively less than the Sunbelt despite the region's perceived need for a larger share. It has only been the Frostbelt's capacity and willingness to match federal dollars that creates the appearance that its allocations are higher than those of the Sunbelt. The argument is that the federal government pays for a larger percentage share of welfare expenditures in the South than in the North.

The coalition's main strategy for dealing with this problem is twofold: first, they will seek to make the public aware of the problem; and second, they will seek regional solutions. In May 1977, Harrington and his supporters scored a victory for the Frostbelt. Their success came through House passage of a Housing and Community Development bill (H.R. 6655) that included a new formula allowing for allocation of more federal funds to the cities of the Northeast and Midwest. The old formula was based on poverty, population, and housing overcrowding. The new formula added age of housing—a bonus for the Frostbelt, with its heavy concentrations of prewar construction, and a loss for the Sunbelt, where more of the construction is postwar (*Congressional Quarterly*, August 20, 1977, p. 1747). While the new formula ostensibly favors the Frostbelt, it does not necessarily mean the Sunbelt will suffer long-term adverse effects from the change. The losses the region might experience will be short-lived, and as its housing stock grows older, its share of federal funds allocated by the formula will increase.

What Harrington and his supporters were seeking in the passage of this new housing formula was equilibrium; that is, putting more money where it is needed without the effect of unfairly distributing federal dollars strictly for regional gains (*Congressional Quarterly*, August 20, 1977, p. 1748). But to reach this equilibrium it is obvious that dramatic changes in other federal formulas will be needed. As the debates over formula funding become more lively, policymakers from both the Sunbelt and the Frostbelt will offer funding options that reflect their regionally-linked definitions of equitable and adequate allocations. These options will likely focus on altering per capita income formulas by adding to them factors such as housing stock, unemployment, and cost-of-living adjustments.

Currently, the alternatives focus on regional cost-of-living differences and the state's share of the tax burden. The first alternative passed its initial test when the House passed an amendment to the omnibus farm-food-stamp bill (H.R. 7171) on July 28, 1977 (*Congressional Quarterly*, July 1977, p. 1599).

With the adoption of this amendment, the House gave households permission to deduct living costs from their income in determining the amount of food stamps they receive. The inclusion of living costs may mean more people getting food stamps in the Frostbelt where rent, utility, and mortgage costs are highest in the nation; however, it may be of little benefit to the Sunbelt (*Congressional Quarterly*, August 20, 1977, p. 1751).

Although this victory for the Frostbelt gives the impression that cost-of-living differences might be included in many future formulas, its inclusion will mean the consideration of more factors than proponents of this approach might realize. There are definite regional patterns in what families tend to do with their money, and there is no national standard to determine what goods and services an "average" family needs to purchase (*Congressional Quarterly*, August 20, 1977, p. 1752). However, regional cost-of-living differences should be considered if what *Business Week* has termed "the further distortion of the federal effort" is to be prevented (*Business Week*, May 17, 1976, p. 112).

Alternatives that focus on the state's share of the tax burden, although much simpler, have not yet been tested, but all indications are that Sunbelt legislators will not be willing to accept this approach. Many believe that this approach would require states to raise taxes in order to increase their share of federal money received (*Congressional Quarterly*, August 20, 1977).

Policymakers who favor formulas based on population counts were aided on October 17, 1976 when President Ford signed into law a bill that allows mid-decade population counts (P.L. 94-521). Beginning in 1985, Congress will be able to obtain enough data to adjust funding formulas to meet population changes. However, the argument continues that the increasing size and changing composition of the population makes the census obsolete after two or three years; hence, addition of a mid-decade census cannot provide a timely measure of population shifts among regions.

Moreover, many local officials, particularly in densely populated innercity areas, fear that there is a great deal of undercounting—especially among minorities. Because of this undercounting, they believe first, that they are underrepresented in the U.S. House of Representatives and state legislatures, and second, that they suffer a loss in federal grants-in-aid and other payments that are distributed at least partially on the basis of population size (U.S. Senate Committee on Appropriations, 1977, pp. 249-256).

Equilibrium will be hard to achieve as long as people continue to move, and people will continue to move as long as they find it economically and personally desirable to do so. Because of this continuous movement, future federal policies must counter the effects of regional in- and out-migration. The legislators from the Frostbelt and the Sunbelt will have to reach agreement over those factors to include in funding formulas that promote the

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twin goals of *equity* and *adequacy* in the distribution of funds, rather than merely regional favoritism, where one region tries to take advantage of another.

Changes in Welfare Allocations on Regional Disparities

Whatever changes occur in welfare allocations, for them to be effective in eliminating regional disparities, they must address two specific issues: (1) equitable and adequate distribution of resources among participants, and (2) *equity* in the proportional share of the total federal/state expenditures states must contribute in support of income maintenance programs.

In the first instance, two forms of equity apply: *case equity* and *horizontal equity*. Case equity refers to the matching of economic resources with the participant's actual circumstances. Through this approach it would be possible to treat welfare participants on a case-by-case basis, thereby creating a system that is both *adequate* and *equitable*, and meets each participant's essential maintenance needs. This approach, however, would be an administrative nightmare and would not allow for the establishment of a national uniform benefit level—a major component of PBJI.

Horizontal equity calls for the equal treatment of participants in like circumstances. Unlike case equity, horizontal equity does not call for the adequate treatment of participants; it would only guarantee that resources are *equally* distributed among participants. It does, however, depend on the establishment of a uniform national benefit level.

In the second instance, if efforts to reform the current welfare system are to be effective, they must address the question of fiscal relief. Inequities in the proportional shares paid by states and the federal government to support the welfare system must be eliminated. A truly equitable welfare system in this context must resolve differences in cost-of-living and benefit levels by regions. It must also answer the questions: what is fiscal relief and what is its role in welfare reform; to what extent is equity a constraint on welfare reform or does it provide feasible alternatives; how will and to what extent will the inclusion of fiscal relief eliminate regional disparities? Welfare reform must incorporate the principles of both case equity and horizontal equity. It must also be capable of treating individual cases separately; hence, provisions should be made for cost-of-living adjustments at the local level. Additionally, it should treat similarly situated individuals equally through establishment of a uniform, if minimal, national benefit level. Finally, it should eliminate regional disparities in state expenditures through providing federal fiscal relief. PBJI embodies elements of each principle; subsequent analysis gives special attention to the principle of fiscal relief.

REGIONALISM AND FISCAL RELIEF

Fiscal Relief as an Element of Welfare Reform

When President Carter unveiled his *Program for Better Jobs and Income* (PBJI) in August 1977, the issue of fiscal relief for states became for the first time a key consideration in welfare reform. Past reform debates, such as with the Family Assistance Plan proposals of 1970, centered on the *social* effects of welfare reform. The concern then was about the impact of the programs on the poor, about the equal treatment of welfare recipients, and about the potentials for eradicating poverty. These issues have not vanished, but now share the limelight with the financial effects of welfare reform on federal, state, and local governments (Hamilton and Rabinovitz, 1977, p. 1). Economic conditions have changed since major welfare reforms were last initiated. Continuing inflation, recent recessions, and the near bankruptcy of New York City have made more people aware of the implications of the mismatch between state and local revenue sources and welfare expenditures.

This recent attention to state and local spending for public cash assistance programs has shown that the current welfare system is not only "inequitable" in its distribution of benefits to recipients in different states, but it is similarly "inequitable" in the proportional share of contributions of resources to the system between the state and federal governments within different states. (Throughout this section of the paper, the use of the term "state" is usually meant to include both state and local governments within that state.)

"Regionalism" enters into the debate over welfare reform because the inequities in the current system can be largely broken down on a regional geographical basis. Most of the states that offer high benefit levels to their welfare recipients are located in the Northern part of the country, and most of the lowest benefit states are in the South. Also, Northern states tend to spend more of their *own* money for public assistance programs than states in the South, where the federal government picks up most of the tab. For example, New York provides a benefit level that is 102% (\$511 a month) of the poverty threshold line (\$500 a month for a family of four in 1976), and state and local governments pay for 47.2% of the costs. On the other hand, Texas provides a 53.8% benefit level (\$269 a month) and pays for only 7% of the total costs (see Tables 1 and 2).*

*New York and Texas were chosen as primary examples here to demonstrate regional differences mainly on the basis of the popular attention given to comparisons between the two states. However, they are near the extremes of their regions in benefit levels and funding shares, and thus may not be truly representative.

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TABLE 1

WELFARE SHARES* AND BENEFIT PAYMENTS

	State Share (Percent)	Federal Share (Percent)	Monthly State Benefit Payment (Dollars)	Percent of Poverty Level (Percent)
Alabama	9.4	90.6	\$267	53.4
Alaska	29.2	70.8	513	102.6
Arizona	15.8	84.2	311	62.2
Arkansas	8.6	91.4	269	53.8
California	49.6	50.4	441	88.2
Colorado	30.6	69.4	365	73.0
Connecticut	43.1	56.9	458	91.6
Delaware	32.7	67.3	376	75.2
Florida	9.1	90.9	289	57.8
Georgia	9.6	90.4	277	55.4
Hawaii	43.3	56.7	589	117.4
Idaho	26.6	73.4	415	83.0
Illinois	42.8	57.2	394	78.8
Indiana	23.5	76.5	345	69.0
Iowa	33.2	66.8	427	85.4
Kansas	38.5	61.5	426	85.2
Kentucky	12.5	87.5	336	67.2
Louisiana	12.8	87.2	283	56.6
Maine	25.2	74.8	367	73.4
Maryland	42.4	57.6	343	68.6
Massachusetts	50.1	49.9	447	89.4
Michigan	46.0	54.0	488	97.6
Minnesota	35.0	65.0	447	89.4
Mississippi	3.5	96.5	213	42.6
Missouri	26.3	73.7	289	57.8

*Includes AFDC, SSI, General Assistance and Food Stamp programs

Sources:

Edward Hamilton and Francine Rabinovitz, *Whose Ox Would Be Healed? The Financial Effects of Federalization of Welfare*, Durham, NC: The Institute of Policy Sciences and Public Affairs of Duke University, 1977, pp. 83-92.

U.S. Congress. Senate. Committee on Appropriations. *Selected Essays in Patterns of Regional Change*. 95th Congress, 1st Session, Washington, D.C.: Government Printing Office, 1977, p. 593.

TABLE 1 (continued)

WELFARE SHARES* AND BENEFIT PAYMENTS

	<i>State Share (Percent)</i>	<i>Federal Share (Percent)</i>	<i>Monthly State Benefit Payment (Dollars)</i>	<i>Percent of Poverty Level (Percent)</i>
Montana	20.2	79.8	347	69.4
Nebraska	28.1	71.9	377	75.4
Nevada	35.0	65.0	350	70.0
New Hampshire	29.3	70.7	417	83.4
New Jersey	40.1	59.9	427	85.4
New Mexico	10.8	89.2	319	63.8
New York	47.2	52.8	511	102.2
North Carolina	12.3	87.7	313	62.6
North Dakota	22.8	77.2	432	86.4
Ohio	29.9	70.1	349	69.8
Oklahoma	47.9	52.1	373	74.6
Oregon	23.0	77.0	477	95.4
Pennsylvania	41.0	59.0	430	86.0
Rhode Island	43.1	56.9	435	87.0
South Carolina	4.0	96.0	255	51.0
South Dakota	21.9	78.1	464	80.8
Tennessee	26.8	73.2	264	52.8
Texas	7.0	93.0	269	53.8
Utah	22.5	77.5	404	80.8
Vermont	29.8	70.2	441	88.2
Virginia	23.8	76.2	388	77.6
Washington	41.6	58.4	447	89.4
West Virginia	8.6	91.4	350	70.0
Wisconsin	42.7	57.3	468	93.6
Wyoming	29.0	71.0	359	71.8

*Includes AFDC, SSI, General Assistance and Food Stamp programs

Sources:

Edward Hamilton and Francine Rabinovitz, *Whose Ox Would Be Healed? The Financial Effects of Federalization of Welfare*, Durham, NC: The Institute of Policy Sciences and Public Affairs of Duke University, 1977, pp. 83-92.

U.S. Congress. Senate. Committee on Appropriations. *Selected Essays in Patterns of Regional Change*. 95th Congress, 1st Session, Washington, D.C.: Government Printing Office, 1977, p. 593.

TABLE 2

LARGEST AND SMALLEST STATE SHARES OF WELFARE FUNDING

LARGEST			SMALLEST		
<i>Rank</i>	<i>State</i>	<i>State Share (%)</i>	<i>Rank</i>	<i>State</i>	<i>State Share (%)</i>
1	Massachusetts (N)	50.1	41	North Carolina (S)	12.3
2	California	49.6	42	New Mexico	10.8
3	Oklahoma (S)	47.9	43	Georgia (S)	9.6
4	New York (N)	47.2	44	Alabama (S)	9.4
5	Michigan (N)	46.0	45	Florida (S)	9.1
6	Hawaii	43.3	46	West Virginia (S)	8.6
7	Rhode Island (N)	43.1	47	Arkansas (S)	8.6
8	Connecticut (N)	43.1	48	Texas (S)	7.0
9	Illinois (N)	42.8	49	South Carolina (S)	4.0
10	Wisconsin (N)	42.7	50	Mississippi (S)	3.5

Differences in cost-of-living rates between the two areas do not account for all their differences in benefit levels. In 1975, the annual lower budget cost of living for a four-person family living in Austin, Texas was \$8,412 while a similar family in New York City would need \$10,266 a year. This difference (18.1%) is significantly less than the difference (47.4%) in the range of welfare benefits between the two states (Bureau of Labor Statistics, 1977, pp. 270-271).

Instead, these disparities may reflect some degree of regionalism in ideologies, or cultures, concerning welfare, and in political pressures for welfare rights between the Northern and Southern states. Motivations for helping the poor have undergone changes in our society from being a *personal* ethical and moral obligation to being a *public* legal responsibility. This evolution, though, has progressed at different rates in different regions of the country. The Northern states, prodded by strong welfare rights organizations, have responded to the cries for help from the poverty communities with more generous welfare benefits. The Southern states, lacking a pro-welfare ideology, tend to regard the receipt of welfare as a "privelege" which is begrudgingly granted by the states to people who often abuse it. Each state is allowed to set the benefit levels for its own welfare recipients, primarily through the AFDC program. Benefit levels in turn affect the amount of food stamps that can be received. The differences in welfare ideologies result in Southern states providing low benefits and Northern states granting higher benefits.

Fiscal relief through welfare reform has acquired a regionalist perspective because both Northern and Southern states believe that they "deserve a break today" from the burdens of financing welfare. Both regions spell relief "M-O-N-E-Y," and each wants to obtain as much as possible. However, each region has a different definition for determining the relief it deserves. The Northern or Frostbelt states claim they deserve relief on the basis of *need*; their expenditures for larger shares of the total costs of welfare are placing increasing burdens on their limited budgets. These Frostbelt states believe they are "losing out" in the game of financing public assistance. They are finding it difficult to break out of a self-defeating, vicious cycle: poor economic conditions place new and larger demands on the welfare system; economic recessions make even less money available to the governments through state and local taxes; to maintain current levels of services, states must raise the tax rates to raise more money to finance welfare; the higher tax rates induce more people and businesses to leave the area in search of better competitive tax advantages; the original area is left with an even narrower tax base on which to base its welfare expenditures; the demand for welfare grows again as even fewer jobs are available; and so on.

Some Sunbelt observers believe the increasing burdens that welfare has placed on Frostbelt states result from their own mismanagement. If those states did not offer their recipients such high benefits, they say, it would cost them less money. The Northern states are living beyond their means, beyond their capacity to finance the services they have decided to deliver. These Northern states, according to these observers, are now looking to be bailed out, to be further rewarded with more money for their past mistakes.

There may be truth in the accusations. Northern states may be beginning to realize that their decisions to pay higher benefits were perhaps not the most fiscally responsible choices. Yet, those original decisions were made in a different financial and social context. The strains that city and state finances have experienced in the 1970s were not predicted in the 1960s when the severe needs of the poverty community were being "discovered" and legitimate responses were being made to meet those needs by the Northern states. Also, many of the problems that have led to financial difficulties for Northern states are beyond the scope of a single state's control, such as nationwide economic recessions, inflation, and inclement weather.

However, once a family gets used to living on a \$20,000 a year income, it is very difficult suddenly to have to adjust to living on only \$10,000 a year. This is basically what has happened financially in the North. If a family overextends itself and conditions change, then it has to cut back on its spending. Likewise, a state may have to cut back on the services it delivers if it cannot raise taxes without risking comparing unfavorably with other states competing for population and businesses. Some Northern states have reduced

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services as a response to their recent financial pressures. For example, Massachusetts has decreased its welfare load by dropping programs and target groups and lowering ceilings for recipients (Hamilton and Rabinovitz, 1977, p. 114). However, what is most distressing about this almost necessary step, in lieu of increased federalization of the welfare system as PBJI proposes, is that those people remaining in the financially troubled states, the poor and the elderly, are forced to bear the brunt of the welfare service cutbacks. These people have the greatest need for the services and will suffer most from their absence or reduction. From an ethical standpoint, it is difficult to ask a family receiving an inadequate income through the welfare system for its essential needs of food, clothing, and shelter to try to "get by" on less money or services because of cutbacks in assistance and services. This is especially the case when the opportunities for obtaining jobs that might lead to independence from the welfare system are almost nonexistent in these same areas of declining economies and fleeing industries, such as the states and localities in the North.

On the other hand, the Southern states claim that they deserve their "fair share" of any fiscal relief proposal. "Equity" to them is the belief that all states should be treated alike and receive equal amounts of relief dollars. They believe that they should not be forced to "subsidize" the Northern states, or be forced to pay larger shares of their own recently growing tax dollars to pay for the mistakes of the Northern states. This reasoning seems to be in line with the "fundamentalist" Southern viewpoint regarding "welfare": that every individual, and thus, state, can and therefore should "make it on his own" in this country without help from others.

However, these Southern beliefs tend to ignore the fact that most Southern states pay less than 10% of the total cost of welfare expenditures in their states. It is then difficult to agree that these Southern states have "made it on their own" in providing this service of government, while Northern states, like New York and Massachusetts, pay closer to 50 percent of their welfare costs. Tax dollars from the North are actually helping to subsidize the South's welfare system. The Northern states have chosen to provide higher benefits to their welfare recipients, yet they have shown a willingness to shoulder greater proportions of the costs needed to support those "generous" higher benefit levels. The Southern states have avoided this potential financial dilemma by not being generous in the first place. The complicating factor in the Southern discussion of "equity" in fiscal relief as translated as equal treatment for like circumstances to all states, is that the circumstances are *not* alike between states. Southern states want an equal share of the relief pie, but they do not need an equal share. Southern states pay the lowest benefits and the smallest shares of welfare costs. Yet, because of their expanding economies, populations, and tax bases, they do have the financial ability,

which Northern states seem to be losing, to improve and expand both benefits and funding. However, one might predict that they are the states least likely to do so on their own. Texas, for example, has had a substantial operating budget surplus in recent years (Hamilton and Rabinovitz, 1977, p. 44). Yet, past priorities in its state expenditures have not been for welfare programs.

Regional disparities therefore *do* exist under the current welfare system, *both* in benefit levels and in proportional shares of state versus federal welfare funding. These disparities are then reflected in regional perceptions of fiscal relief. Given that existing legislation allows a *state* to determine the level of benefits that will be provided within its boundaries, these disparities are seemingly “caused” by the underlying differences in regional ideologies about welfare. Ideologies are personal, and it is hard to say that one person’s opinion is “better” or “more correct” than another’s. The regional distinctions in ideologies are embedded in the nation’s history. Despite the end of the Civil War and the nation’s efforts to unify its different sections, regionalism in modes of thought still exists today. It is much more difficult, if not impossible, to change personal ideologies which are reflected on political actions, such as state-by-state differences in welfare benefits and funding. One single federal government program cannot achieve a consensus on either welfare ideology or programs. The most one federal initiative can realistically do is to design policies and programs more toward desirable, equitable change. If the federal government cannot directly work at the root causes of inequities in the current welfare system, it can attack its symptoms by *reducing* the disparities between states both for recipients and for state budgets.

“Equity” Alternatives and Constraints on Welfare Reform

The design of *any* welfare reform proposal is constrained by regional ideology. Three other constraints, mentioned earlier, significantly affect the final shape of a reform proposal: (1) federal budgetary limits, (2) the “grandfathering” of current recipients, and (3) “states’ rights.” Because these constraints frustrate attempts to achieve fully the goal of equity for both welfare recipients and the states, they must be taken into account by any reform proposal that intends to be politically, socially, and economically feasible and to have any chance at all to be passed by Congress.

Federal Budgetary Limits

One suggested method of achieving full equity in welfare programs is by

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complete federalization of the welfare system. Under this plan, the federal government pays all current state and local costs of welfare and provides a minimum benefit level up to 100% of the official poverty line. This plan is probably the most desirable to those, such as the Northern states, who currently feel the most financially strained by the present method of welfare funding. Each state would receive 100% fiscal relief.

However, this alternative is not financially feasible; it places undue strain on an already pressured federal budget. Full federalization of the major welfare programs (AFDC, SSI, General Assistance, and Food Stamps) would have relieved all state and local governments of almost \$7 billion in 1975, \$4 billion of which would have come from the takeover of the AFDC program (Hamilton and Rabinovitz, 1977, pp. 83-92). To the extent that the federal government alone would guarantee a minimum benefit level higher than existing levels, especially in the South, the total amount of extra federal money spent for welfare would rise accordingly. In 1975, the federal government expenditures for these welfare programs were \$20 billion. It is doubtful whether the nation will pay or can afford an increase of \$7 billion or more (35 percent of the current federal cash assistance costs) in future years to the federal budget for welfare. All federal government financing is being viewed as more of a zero-sum game than it has in the past. National policymakers realize that the country cannot afford to continuously increase the size of the pie through larger amounts of deficit spending. The pie is seen as more finite than before; what is spent in one area cannot be spent in another. The persistence of high inflationary and unemployment rates and the slower rates of recovery from recessions are often blamed on the federal government as representing the costs of trying to increase the size of the pie without substantively adding more filling, or without increasing taxes to pay for increased spending. The money to pay for the programs must come from somewhere. To quote a trite phrase, "There is no free lunch."

A total balancing of the budget is probably not a realistic goal. Achieving it would require either severe cutbacks in federal programs or severe increases in federal taxes, neither of which is politically acceptable and thus would not easily be passed by Congress. Budget balancing as a guide, though, would not leave much room for increases for welfare spending. It would also require establishing budget priorities. This may be desirable in a "zero-based budgeting" sense of setting more realistic goals and directions for the government to follow. However, establishing priorities is difficult to do in the national political arena where a greater number and diversity of interests, each claiming to deserve highest priority, must increasingly be accommodated. The allocation of the nation's scarce resources is not an economic process, but a political one (*Business Week*, January 30, 1978, p. 66). Given these constraints, full federalization of welfare programs as a means for

achieving equity in the system is not likely now. Increased federal spending for any welfare reform proposal must occur in a way that furthers the fiscal integrity of the federal budget.

"Grandfathering"

A second suggestion for attaining equity is by a federal guarantee of a uniform minimum benefit level at less than 100 percent and the continuation of the current shared federal-state responsibility for financing public assistance, but equalized for all states at a rate equal to the current lowest share being paid by a state. This approach also results in near-total federalization since the lowest state share is about 3.5 percent in Mississippi, which would set the federal share at 96.5 percent. This method of achieving equity offers the same advantages as total federalization in providing large amounts of fiscal relief to those states most in need of it. However, because this proposal is so close to total federalization, it suffers from the same constraints and drawbacks—a federal finite budget.

But the major weakness of this second suggestion for equity is that it only guarantees a minimum benefit level that is lower than what is now paid to some welfare recipients. If only the lower level is assured, there is a risk that the current higher benefits will be reduced, and some will be made worse off merely as a result of the transition to a new system. Again, those who would suffer the most from this reduction are those least able to bear the burden of such a cutback. For example, a family in New York that is currently receiving benefits around 100 percent of the level of poverty might be asked suddenly to try to survive on less money. The adjustments would be very difficult and required only because the system had been changed. The argument that the government has a moral (and political) obligation to assure that those most vulnerable to change do not suffer from it is the second major constraint that a welfare proposal must take into account. This second suggested method will require state governments to "grandfather" those currently receiving benefits at rates higher than what the federal government will guarantee. To do this, state governments, mostly those in the North, will have to supplement the federal payments up to at least the current levels. Obviously, the extent to which a state supplements the federal minimum benefit level reduces the total amount of fiscal relief that could be obtained if no extra payments were made.

This is not an absolute constraint, though as mentioned earlier, some states *have* cut back on their welfare services in response to recent fiscal problems. However, this is viewed as a last resort action. It is assumed that whatever political and social forces originally led to state action of providing higher

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benefits are still existing to some degree in those states. This will serve to make it difficult to obtain political approval for such cutbacks.

"States' Rights"

A third suggestion for achieving equity in the welfare system is to have the federal government guarantee a uniform minimum benefit level less than 100 percent and to set the proportional share of state welfare financing at an equal rate for all states, lower than present for some, yet higher than present for others. For instance, a compromise between the current extremes of state shares would set the share at about 25 percent for all states: the federal government would pay 75 percent of the minimum benefit level and the state would pay the other 25 percent. However, even this proposal has its drawbacks. As in the second suggestion, a guaranteed benefit set below any state's currently provided level will require that state to supplement, and thus reduce, its potential fiscal relief.

This proposal does have some advantages over the other suggested equity-achieving models. It would put less strain on the federal budget and may thus be "affordable." An overall state share of around 25 percent is near the present total average state and local share of 34.8 percent of welfare expenditures (Hamilton and Rabinovitz, 1977, pp. 83-92). It is equitable in that all states would be treated alike. Given the current state of regional economic growth patterns, this proposal would grant large shares of fiscal relief to those states in the North who need the aid and would require larger shares of payments from those states in the South that are currently economically well off and growing. In this manner, this proposal might seem more "fair," as those predominantly Southern states which can afford to pay larger shares of welfare costs than they are now paying would be asked to do so.

However, the legal and political constraint of "states' rights" would prevent this suggestion from being adopted. By "states' rights," it is meant that the federal government cannot constitutionally *force* a state to spend more than it is currently spending if the state does not agree to spend more. By law, the federal government cannot tell the states how they *must* spend their own money. The expenditure of state-generated revenue is solely the domain of the state government. Even if it mandated national eligibility criteria and benefit levels, the federal government cannot force Texas, or any other low-benefit, low-share state, to increase its share of welfare financing from its current level of 7 percent up to 25 percent (or to *any* level above 7 percent). A low-share, low-benefit state might agree to increase its percentage share of a welfare program's costs only if its total dollar contributions did not increase. For example, if Texas is currently paying \$7 out of a total

federal-state payment of \$100, then it might agree to pay 25 percent of a program where the total payment was \$28. If the number of recipients is the same in either case, then each will receive less money than before. This approach actually increases disparities in benefit levels between high- and low-benefit states, rather than making them more equitable.

The federal government can follow the pattern it set when it federalized the SSI program in 1974, and required mandatory state supplementation. Under that program, a state was not allowed to receive *any federal money* for SSI recipients unless it agreed to supplement the federal minimum benefit level up to current levels at the time of program implementation. This provision was included to ensure that no current recipient would be worse off as a result of the program change. Extending this to the major welfare programs, the federal government might make the receipt of the federal 75 percent share totally conditional on a state providing the other 25 percent share. This is the present method of state matching required for welfare programs. However, matching formulas can only be offered as an *incentive* to a state to provide more and spend more than it might otherwise if the state were to try to finance its welfare programs on its own. Again, a state cannot be required to spend more than it wants. A state also cannot be forced to accept federal money and the strings that often come with it if it chooses not to supply the matching funds. The question to be resolved here is, "What happens if the state refuses to accept federal funds because its required matching contribution is more than what it is currently paying?" Under this third alternative, this question will confront all low-benefit, low-share states, which are primarily located in the South. For example, in Texas, 25 percent of its current total welfare payments of \$765 million would be \$191 million, which is much more than its 7 percent present payment of \$53 million. If a state refuses to accept any federal money under the new plan and thus greatly decreases the total amount of money spent in the state for public assistance, what will happen to the current welfare recipients in those states? Most likely, it would conflict with the second constraint of assuring that current recipients do not suffer from the change in programs, and again, greater disparities in benefit levels would result. It is not clear whether under this third suggestion the social and political pressures in the low-benefit, low-share antiwelfare states in the South would be strong enough to overcome the temptation to refuse federal money with strings attached, and instead, encourage a state to increase its share of state money allocated to welfare programs.

Even if the federal government could legally require a state to increase its spending for a welfare program, any legislation that called for imposing such requirements and thereby increasing the cost to Southern states, would probably be strongly resisted by their elected officials. Therefore, the legal

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and political restrictions on the federal mandating of the use of state money will require any welfare reform proposal to take account of the issue of "states' rights."

PBJI as a Feasible Alternative

The Carter Administration has taken these three constraints into account. The broad concepts relating to benefit levels and state fiscal relief embodied in PBJI offer a legitimate, feasible compromise to the welfare reform goal of achieving a more equitable welfare system. Although the promise of fiscal relief as a selling point for the program risks introducing regionalistic arguments into the debate, PBJI attempts to *downplay* regionalism as an issue in welfare reform. Not everyone will be satisfied with the compromises that have been made, but the proposal is a reasonable and realistic approach to attaining equity in benefits and costs. The chances of like people in like circumstances being treated alike by the welfare system without regard to where they live will be increased. Regional disparities in benefits and in state sharing of financing welfare will not be eliminated by PBJI, but they will be significantly reduced.

Reduction in Benefit Level Disparities

PBJI calls for a federally guaranteed *uniform* minimum benefit level of 65 percent of the official poverty line and for *national* eligibility requirements for the welfare program. The Carter Administration recognizes that the 65 percent level (\$325 a month) is an inadequate income for many, but it reflects the cost the federal government can afford to guarantee. This level is greater than what is currently provided in thirteen states, most of them located in the South. States can and are encouraged to supplement the federal minimum payment up to higher, more adequate levels.

While state supplementation is voluntary, most Northern states will have to supplement the minimum benefit to guard against reducing benefits currently greater than 65 percent of the poverty line. To both assure that Northern states will still receive substantial amounts of fiscal relief after necessary supplementation and offer incentives to Southern states to provide additional benefits beyond the federal minimum, PBJI proposes that the federal government share the costs of state supplemental payments. As long as federal criteria regarding benefit reduction rates are followed, the federal government will pay for 75 percent of the first \$500 (12.32 percent) of the federal minimum payment) in state supplements (for a family of four) and 25 percent of additional supplementation either up to 75 percent of the official poverty line if the family has a member required by the program to seek

employment, or up to 100 percent of the poverty line otherwise. A state may still have to provide further supplements, which will not be federally matched, in order to fully "grandfather" current high benefit recipients. Yet, if the sum of a state's share of expenditures under the new program, plus its matched and unmatched supplements, is greater than 90 percent of its share under the existing program, then the states will be "held harmless" during the first five years of the program for the excess expenditures. The federal government will pay for this excess in order to guarantee that every state The broad concepts relating to benefit levels and state fiscal relief embodied in PBJI maintain existing levels of high benefits and "hold harmless" payments will probably not apply to most Southern states, they are encouraged to take advantage of the federal sharing in the cost of matching supplements to raise the benefit levels in their states above 65 percent and closer to 100 percent of the poverty line.

By taking away the element of state-by-state decisions on benefit levels and eligibility standards, the regional disparities will be reduced. Welfare recipients in the South will be the primary beneficiaries of this move as their benefit levels, currently ranging from 42 percent to 58 percent, are raised to 65 percent (\$325) of the poverty threshold. Excluding Alaska and Hawaii, the nationwide range of disparity in recipient benefit levels will decrease from a current difference of 59.4 percent, or \$298, to a difference of 37 percent, or \$186, thus producing an overall reduction of 37 percent (see Table 3).

Reduction in State Welfare Funding Disparities

Second, realistic attempts to reduce the disparities between state costs for welfare programs are also incorporated in the PBJI proposal. After the three-year implementation period, a state is allowed to *choose* its state share, or "state maintenance of effort," between (a) 90 percent of its current (1977) state cash assistance payments, or (b) 10 percent of the total cost of the new program within the state in that future year. A state will obviously choose for itself the least expensive route. Past states' actions suggest that their choices will follow a predictable pattern. The high-benefit, high-share Northern states will choose to pay 10 percent of the total cost of the reformed welfare program, plus what it must supplement. Since current benefit levels in these states are higher than the federal guaranteed minimum, the *total* cost of the new program, including state supplements, will not be much different from the cost of the for 75 percent of the first \$500 (12.32 percent of the federal minimum payment) in state proportionate share of the total cost that will be paid by the state and local governments. For example, New York state and local governments are currently paying 47.2 percent of the cost of welfare expenditures in the state. Under PBJI, New York would

TABLE 3
RANGE OF DISPARITIES IN BENEFIT LEVELS

	<i>Pre-Reform</i>			<i>Post-Reform</i>		
	<i>High</i>	<i>Low</i>	<i>Difference</i>	<i>High</i>	<i>Low</i>	<i>Difference</i>
State	New York	Mississippi		New York	Mississippi	
Benefit Level (monthly)	\$511	\$213	\$298	\$511	\$325	\$186
*Percentage of Poverty Level	102%	42.6%	59.4%	102%	65%	37%

$$\text{NET REDUCTION RATE} = \frac{\$298 - \$186}{\$298} = 37\%$$

*\$500 a month for a family of four

Sources:

Edward Hamilton and Francine Rabinovitz, *Whose Ox Would Be Healed? The Financial Effects of Federalization of Welfare*, Durham, North Carolina: The Institute of Policy Sciences and Affairs of Duke University, 1977, pp. 83-92.

U.S. Congress. Senate. Committee on Appropriations. *Selected Essays in Patterns of Regional Change*, 95th Congress, 1st Session, Washington, D.C.: Government Printing Office, 1977, p. 593.

have the option of paying either (a) 90 percent of its current share (42.5 percent) or (b) 10 percent of total cost, plus increased shares for state supplementation. Supplementation payments in a state like New York that is currently providing a benefit level above 100 percent of the poverty line would be a very substantial share of the total costs. If the federal government did not share in the costs of supplementation and if the federal government guaranteed only \$65 out of every \$100 paid to welfare recipients, then the state would have to pay an additional \$25 in supplementation, plus its automatic \$10 share (a total of \$35), in order to ensure that the welfare participant does not receive less than the \$100 he/she is currently being provided. However, this new 35 percent share is still significantly less than the 47.2 percent it is currently paying, or the 42.5 percent it would pay under the first option. Thus, New York achieves a large degree of fiscal relief and a lesser share of the welfare burden, while still protecting current recipients against benefit reductions. Some relief is better than none for the Northern states. Since the federal government pays for much of the costs of supplementation, the amount of fiscal relief will increase, and the state share of the total welfare costs will decrease accordingly.

At the other end of the spectrum, the low-benefit, low-share states in the South will choose the first option of paying 90 percent of current state costs. In a low-benefit state, such as Texas, the total costs of the reformed program will increase as the federal government guarantees a cash payment of 65 percent of the poverty level for all cash assistance recipients, instead of the 53.8 percent that is presently provided, assuming that the total number of participants is not reduced. If Texas were asked to pay 10 percent of the costs of a more expensive program, its expenditures would be substantially increased, and its share of the total costs would increase above its current level of 7 percent. However, this approach violates the constraint that restricts the federal government from requiring a state to spend more of its own money. By pegging the state share to a level below current state costs, PBFI will grant fiscal relief to these Southern states, too. The percentages of relief may even be as large for Southern states as for Northern states since Southern states will not need to supplement the higher federal benefit payments. Also, the proportional share of total welfare expenditures by Southern states will actually decrease greatly as the total costs of the new program rise and the states contribute less money than they are currently paying. For example, after reform, Texas will be paying 4 percent of the total welfare costs, instead of its current 7 percent. Although the Southern states may now have a greater capacity to shoulder larger shares of the costs due to their current budget surpluses, these states will also have to be granted fiscal relief if the federal government's goal of achieving greater equity through higher uniform benefit levels is to be accomplished and given that it cannot

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force a state to increase its own share of welfare expenditures. PBJI's element of choice in determining state maintenance efforts is necessary to assure that both Northern and Southern states receive maximum fiscal relief within the constraints that face all reform proposals.

Disparities between states in their shares of financing welfare will be reduced by PBJI in that most Northern states will have their shares reduced to at most 35 percent of the total costs. The overall range of disparities in this instance will decrease from a current difference of 46.6 percent to a new difference of 33.7 percent, a net reduction of 27.7 percent (see Table 4).

State Reactions to Fiscal Relief

Despite regional disparities in current welfare programs, it is unclear whether "regionalism" can be used to predict how states will react to the fiscal relief they might gain through PBJI. States will be pressured to spend their "savings" in as many ways as there are interests competing for the states' services or aid. One action a state might take is to do nothing but pocket the savings and reduce the state's total expenditures. However, given the pressures from the growing number of competing interests demanding accommodation, this step of "no action" is unlikely. The political strength of these interests will probably determine where this money saved from welfare programs will ultimately be spent. Past priorities of state expenditures may serve to guide future state uses of additional funds. For example, Texas lacks precedents to devote new sources of money to welfare functions. Instead, its fiscal relief money might be spent in building more highways. If similar interest groups are politically stronger in one region of the country than in another, then state reactions to the use of fiscal relief funds may likewise vary regionally.

State Relationships to Local Governments

A few states, most notably New York, have granted special taxing powers to certain city and/or county governments in order to help finance their welfare burden. With the decreased state commitment to welfare expenditures offered through the fiscal relief provisions of PBJI, there may be pressures on these state legislatures to remove these special revenue-generating powers. Such a move, though, would have implications for the affected cities far beyond just its expenditures for welfare programs.

PBJI hopes to create the opposite reaction in these states that share welfare financing with local governments. As a condition for being eligible for "hold harmless" regionally defined approaches states may pursue when confronted with a program with pass on to the local governments a share of

TABLE 4

RANGE OF DISPARITIES IN STATE WELFARE FUNDING

	<i>Pre-Reform</i>			<i>Post-Reform</i>		
	<i>High</i>	<i>Low</i>	<i>Difference</i>	<i>High</i>	<i>Low</i>	<i>Difference</i>
State	Massachusetts	Mississippi		Massachusetts	Mississippi	
Percentage Paid by State of Total Welfare Costs	50.1%	3.5%	46.6%	35%	1.3%	33.7%
NET REDUCTION RATE			$\frac{46.6\% - 33.7\%}{46.6\%} = 27.7\%$			

Sources:

Edward Hamilton and Francine Rabinovitz, *Whose Ox Would Be Healed? The Financial Effects of Federalization of Welfare*, Durham, North Carolina: The Institute of Policy Sciences and Affairs of Duke University, 1977, pp. 83-92.

U.S. Congress. Senate. Committee on Appropriations. *Selected Essays in Patterns of Regional Change*, 95th Congress, 1st Session, Washington, D.C.: Government Printing Office, 1977, p. 593.

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the fiscal relief proportionate to their contribution to the state's total welfare expenditures. However, after this initial period, PBJI makes no assurances of financial relief to the cities through welfare reform. Local governments owe their creation to the state governments. Given the expansion and growing political strength of the nonmetropolitan areas of the states, the reactions of states to their local, especially urban, governments resulting from increased federalization of welfare will not necessarily be beneficial to the local units in the future. However, regionalism is not much of a factor here; most of the states that require local contributions to the state welfare effort are located only in the North.

Voluntary State Supplementations

The possibility exists that money gained through PBJI's fiscal relief provisions may be used by states to increase their supplementation of benefit levels. PBJI seems intended to foster this approach for current low-benefit, predominantly Southern states, whose benefit levels will be guaranteed only up to the federally-provided minimum of 65 percent of the poverty line. As stated earlier, the federal government promises matching funds as an incentive for state supplementation of benefits. Also, if a state must spend more than 90 percent of its current expenditures to maintain existing higher benefit levels under the new program, the federal government will pay for this excess under "hold harmless" provisions.

However, there are limits to the federal budget's ability to absorb increases in benefit levels. These "hold harmless" payments will apply for only the first five years of transition to the new program. After that time, if a high-benefit state needs to maintain or wants to increase benefit levels above what the federal government is capably willing to support through federal participation in state supplements, the states will have to bear the added costs alone. Such an increase may be likely as the public debate surrounding the adoption of a new program focuses attention on the inadequacy of current benefit levels. In order to realize substantial savings from fiscal relief and a reduction in its share of financing welfare, a high-benefit state will have to resist this pressure to raise benefit levels further, and rely on the federal government to make the system adequate as efforts in this field.

Federalization of the SSI program in 1974 provides the only hints of regionally defined approaches states may pursue when confronted with a program with similar provisions for *additional* voluntary supplementation. However, one must remember that the public and their state governments tend to take a more generous attitude toward the SSI categories of aged, blind, and disabled recipients. Also, the figures do not account for possible increases in the number of program recipients that resulted from new national

eligibility requirements. Yet, the data show that although this program was originally intended to reduce state expenditures, eleven states actually increased state spending under the program, and eight of these states were located in the North. Eleven states provide *no* optional supplements, and eight of them are found in the South. Texas, for example, is barred by its State Constitution from paying *any* supplements, voluntary or mandatory (Hamilton and Rabinovitz, 1977, pp. 106-109).

Social Services

Another major concern is what a state's reaction will be toward its maintenance-of-effort in providing social services, or in supporting other income maintenance programs, given the reduced financial commitment in cash assistance that the proposed welfare reform offers. PBJI does not address this issue. These social services, such as in-kind services for the elderly, for child care, and for rehabilitation and prevention, are financed primarily through Title XX (Part A) of the Social Security Act. The federal government pays 75 percent of the cost of the programs for which the states are willing to match the other 25 percent. There is now a ceiling on the amount of Title XX federal funds that may be spent in each state, based on the state's proportion of population in the United States. Some states, such as Texas, also have constitutional limits on the amount of state money that may be spent for social services. Amendments in 1974 gave the states almost complete discretion in the expenditure of their allotted Title XX funds. The federalization of the cash assistance aspect of welfare may serve to reduce state commitments to social services. For every reduction of \$1 of state funds, \$3 of federal money are also removed from social service programs within the state. However, these social services may be necessary to achieving the independence from welfare that PBJI sees as its ultimate goal. The function of state welfare agencies, who now supply many of these services, may be drastically altered if there are no incentives for a state to maintain its efforts in this field.

Attempts to guard against a reduction in state efforts toward social services will be very difficult. Social services are not entitlements, as benefits under the AFDC, SSI, and Food Stamp programs are. Under these programs, simply meeting certain eligibility criteria "entitles" a person to the receipt of cash benefits. On the other hand, Title XX programs provide in-kind services, and special additional arrangements must be made before they can be delivered. For example, child care institutions may have to be established. Quite often, the demand for such services exceeds the supply, so that some people who are eligible still cannot receive services. However, the *state* determines the quantity (and quality) of the supply of available social services

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and sets the eligibility criteria. Unless Congress is willing to "revoke the license" of discretion it gave to the states in 1974 on the use of Title XX monies, there are few assurances the federal government can give for maintenance of state social services efforts.

The major problem, though, is that the federal government cannot guarantee that its *own* efforts in social services will not be reduced. Congress determines the federal share, and there is also no assurance in PBJI that the federal ceilings for social services will not be lowered or simply not funded in response to PBJI's increased federal expenditures in the cash assistance section of the welfare system.

This uncertainty may also serve to deter a state from applying some of its fiscal relief under PBJI to increasing its share of expenditures for social services, which would raise the state's total social services effort. If a state raised its share, and then the federal government were to reduce its proportion of aid to the programs, the state would be forced to make up the difference itself if it wanted to protect the interests of its social services recipients. Without guarantees of sustained federal efforts, expansion of social services by the states may not be worth the risk.

However, it is doubtful whether there would be regional patterns of behavior in this aspect of welfare-type funding. One might predict that Southern states would tend to spend less and Northern states would spend more on social services, as is the case with cash assistance for welfare recipients. Using the condition of whether a state currently spends even the federal allotment for social services as a proxy measure for a state's possible current commitment to the provision of these services, the data indicate that almost the same number of states from both the North and the South tend to spend more than just the federal maximum allocation. Also, about equal numbers of states between regions spend less than is allocated to them in a year (see Table 5). Therefore, a state's action in this regard cannot be predicted on the basis of its geographical location alone.

POLICY RECOMMENDATIONS

The major goal of any welfare reform proposal, including PBJI, is the development of a more *equitable* welfare system across the country. Under the current program, welfare recipients in different states are not treated alike when in like circumstances, and different states pay different shares of the costs of their welfare programs. These disparities can now be grouped according to geographical regions: Northern states tend to pay higher benefits and higher shares, and Southern states pay lower benefits and lower shares. Recent demographic shifts and national, state, and local financial troubles have highlighted this degree of regionalism in the current welfare system. The

TABLE 5
COMPARISON OF TOTAL EXPENDITURES TO FEDERAL FUNDING
ALLOCATIONS FOR STATE TITLE XX SOCIAL SERVICES

	<i>1977 Estimate of Annual Title XX Expenditures [a] (millions)</i>	<i>1977 Federal Allocation [b] (millions)</i>	<i>Ratio of Expenditures to Federal Allocations</i>
Alabama	\$ 45.1	\$ 42.3	1.07
Alaska	5.2	4.0	1.30
Arizona	28.6	25.5	1.13
Arkansas	16.3	24.4	0.66
California	407.7	247.3	1.65
Colorado	44.5	29.5	1.51
Connecticut	53.8	36.5	1.42
Delaware	8.1	6.8	1.18
Florida	100.3	95.7	1.05
Georgia	80.4	57.7	1.39
Hawaii	10.0	10.0	1.00
Idaho	24.6	9.5	2.60
Illinois	130.4	131.7	0.99
Indiana	12.3	63.0	0.20
Iowa	54.0	33.8	1.60
Kansas	31.6	26.9	1.18
Kentucky	52.8	39.7	1.33
Louisiana	51.4	44.5	1.15
Maine	10.9	12.4	0.88
Maryland	N/A	48.4	N/A
Massachusetts	63.2	68.6	0.92
Michigan	170.8	107.6	1.59
Minnesota	91.8	46.3	1.98
Mississippi	7.2	27.5	0.26
Missouri	14.1	56.5	0.25

[a] Estimate arrived by multiplying quarterly expenditures by 4. Source: Office of Human Development Services, U.S. Dept. of Health, Education, and Welfare, *Social Services U.S.A.*, Publication No. 77-03300, Washington, D.C.: U.S. Government Printing Office, 1976, p. 39.

[b] Allocations determined by P.L. 94-401. Source: U.S. Code, *Congressional and Administrative News*, 94th Congress, 2nd Session, "Legislative History of P.L. 94-401," St. Paul, Minn., West Publishing Co., 1976, p. 2137.

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TABLE 5 (continued)

COMPARISON OF TOTAL EXPENDITURES TO FEDERAL FUNDING ALLOCATIONS FOR STATE TITLE XX SOCIAL SERVICES

	<i>1977 Estimate of Annual Title XX Expenditures [a] (millions)</i>	<i>1977 Federal Allocation [b] (millions)</i>	<i>Ratio of Expenditures to Federal Allocations</i>
Montana	\$ 15.0	\$ 8.7	1.72
Nebraska	24.4	18.3	1.36
Nevada	6.7	6.8	0.99
New Hampshire	11.1	9.6	1.66
New Jersey	N/A	86.7	N/A
New Mexico	18.0	13.3	1.36
New York	274.2	214.2	1.28
North Carolina	13.2	63.4	0.21
North Dakota	8.0	7.5	1.06
Ohio	87.9	127.0	0.69
Oklahoma	40.2	32.1	1.25
Oregon	34.9	26.8	1.30
Pennsylvania	78.5	140.0	0.56
Rhode Island	N/A	11.1	N/A
South Carolina	38.0	32.9	1.15
South Dakota	14.2	8.1	1.76
Tennessee	36.6	48.8	0.75
Texas	215.6	142.5	1.15
Utah	19.8	13.9	1.43
Vermont	8.2	5.6	1.48
Virginia	56.5	58.1	0.97
Washington	50.5	41.1	1.23
West Virginia	12.1	21.2	0.57
Wisconsin	83.9	54.0	1.55
Wyoming	70.0	4.3	1.65

[a] Estimate arrived by multiplying quarterly expenditures by 4. Source: Office of Human Development Services, U.S. Dept. of Health, Education, and Welfare, *Social Services U.S.A.*, Publication No. 77-03300, Washington, D.C.: U.S. Government Printing Office, 1976, p. 39.

[b] Allocations determined by P.L. 94-401. Source: U.S. Code, *Congressional and Administrative News*, 94th Congress, 2nd Session, "Legislative History of P.L. 94-401," St. Paul, Minn., West Publishing Co., 1976, p. 2137.

promises of fiscal relief have added a new perspective to debates of economic importance in the impact of welfare reform proposals. Welfare reform should lead to a more equitable welfare system, a system in which residence in one region or another will be a neutral factor in the treatment of welfare recipients. However, the regional variations of the current system limit the ability to *feasibly* design a fully equitable system. Given these constraints, we believe that the PBJI proposal offers a realistic solution to achieving a much greater degree of equity in the welfare system. Therefore, we recommend that PBJI's major concepts relating to minimum benefit levels and state fiscal relief should be passed by Congress. A federally guaranteed minimum benefit level will reduce the disparity in benefits for welfare recipients. We would add, however, that PBJI should incorporate assurances that *local* area cost-of-living adjustments in benefit levels are possible and more adequately reflect the need of recipients. A choice of state "maintenance of effort" will allow a state to maximize its degree of fiscal relief and thus reduce the disparity among states in proportional shares of funding their welfare programs. States in financial trouble need more help than PBJI will offer them. Yet, it can be argued that a welfare reform program that seeks to provide more equitably, and to some degree more adequately, for the needs of the nation's poor is not the proper tool to use to try to solve all state and local government financial ills. Other methods, such as revenue sharing and categorical and block grants, may be more appropriate measures to redress these fiscal problems. The achievement of a completely equitable welfare system may have to wait either until regional welfare ideologies move closer together, or until the federal government and the people feel that they are able and willing to devote the resources necessary to operate the welfare system on a truly national basis and on a level high enough to ensure adequacy as well as equity.

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PART III

THE IMPACT OF UNDOCUMENTED ALIENS ON THE WELFARE SYSTEM

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IMPACT OF UNDOCUMENTED ALIENS ON THE WELFARE SYSTEM

EXECUTIVE SUMMARY

A sluggish economy and high unemployment have helped increase attention on the undocumented alien problem in the U.S. Assumptions are often made that millions of undocumented aliens deprive Americans of jobs, evade taxes, and use public services they are not eligible for. The fact is, however, that there is little substantive evidence for assessing the economic impact undocumented aliens have on the national or regional economies.

Despite the lack of hard data on the number of undocumented aliens, various interest groups are pushing plans to control their flow into the U.S. As a result of their lobbying, President Carter unveiled his proposed Alien Adjustment and Employment Act (H. 9531, S. 2252) in August 1977. The legislation calls for:

1. granting permanent resident status to undocumented aliens who have lived in the U.S. continuously since January 1, 1970;
2. granting five-year temporary resident status to those who entered the U.S. between January 1, 1970 and January 1, 1977; at the end of the five-year period, their status would be redetermined;
3. making undocumented aliens entering after January 1, 1977 subject to current immigration laws.

Registration with the Immigration and Naturalization Service (INS) would be required in order to obtain legal status.

Policy Issues and Questions

Implementation of the legislation could have profound consequences for the U.S., depending on the number of persons seeking permanent residence. Resident aliens are eligible for all public assistance programs the U.S. government provides. Since most undocumented aliens are assumed to fall into low-income categories and since it is also assumed that many of them will seek permanent residence, the question arises as to what can happen when a large group of low-income people suddenly become eligible for public assistance. Thus, policymakers need to assess the number and types of services this group will demand in order to meet their needs. Further, they need to find answers to the questions, will the effects be felt by all levels of government? Will effects be nationwide or in specific geographic areas?

The presence of undocumented aliens affects a wide range of issues. Some of these include (1) the effect of illegal aliens on the U.S. labor market,

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particularly with respect to wage rates and jobs displacement; (2) the contributions the group makes to the tax system as compared to public services it receives; and (3) their effect on current public assistance programs. Moreover, discussion of the undocumented alien also raises international issues such as the U.S./Mexican diplomatic relations and economic development of border regions, among others.

The areas to be analyzed in this section are the economic effects of undocumented aliens with respect to the income maintenance system and President Carter's proposed Program for Better Jobs and Income (PBJI). The primary question is what will be the costs borne by the income maintenance system if the new legislation passes Congress.

Several assumptions have been made here and need to be put forth. We have assumed that the basic demographic characteristics of the Linton sample are generally applicable to the undocumented alien population (North and Houstoun, 1976); that undocumented aliens, particularly those from Mexico, tend to be workers rather than dependents; and that most studies conducted thus far have inflated the number and economic costs of undocumented aliens in the United States.

There is sufficient evidence to assume that the impact of additional numbers of resident aliens would be minimal should President Carter's PBJI proposal receive Congressional approval. Further, even under the present welfare system, it is unlikely that an additional number of resident aliens would pose a serious burden to the welfare system. Factors such as the inability of undocumented aliens to prove continuous residence will disqualify a significant portion of them. Secondly, PBJI benefits do not appear to be very attractive, particularly in Texas. In addition, the demographic profile of the undocumented alien reveals a young, single, male population that is an unlikely candidate for public assistance. Finally, the cultural attitudes of undocumented aliens indicate they are not likely to use welfare services.

INTRODUCTION

From its inception, United States federal policy has encouraged people to immigrate to this country. The basic concepts of freedom and universality, as written in the Constitution, reflect that encouragement. During its first 100 years the U.S. established itself as a haven for those seeking to share in the economic resources of this country.

In 1875 Congress passed the first federal laws restricting open immigration. These laws contained qualitative restrictions barring prostitutes, convicts, the handicapped, and persons who would likely become the responsibility of the state. In 1882 Congress began to exclude immigrants on

the basis of national origin. The Chinese were first excluded, followed by the Japanese and finally all nonwhite Asiatics. The purpose of these laws was to keep America for Americans and ease the fears of laborers concerning job competition. These laws were replaced in 1921 with the quota system. Quotas for immigrants were based on the number of U.S. citizens of the same national origin as those applying. This immigration policy was the forerunner of our present hemisphere quota system (Carliner, 1977).

Even though the quota system has been successful in controlling legal immigration, it has not been effective in reducing the number of illegal immigrants to the U.S. Recent economic trends such as high unemployment and inflation have further caused attention to focus on the effects of illegal immigration. On August 4, 1977, as a result of these problems, President Carter unveiled a plan to reduce and regulate illegal immigration. A major element of President Carter's plan is the provision whereby undocumented aliens can acquire permanent residence legal status. Considering the average level of education, occupation, and income of undocumented aliens, they could have considerable economic impact, particularly within the welfare system.

Because policies are often interrelated, President Carter's plan may have some implications for the income maintenance and welfare systems. Of particular interest in this analysis are the effects of the amnesty provision to be granted to undocumented aliens residing in the U.S. since January 1, 1970, on President Carter's welfare reform plan (Program for Better Jobs and Income) as well as its impact on the welfare system in Texas. Through analyzing provisions of the amnesty plan and demographic characteristics of undocumented aliens this analysis assessed the impact of both on the current and proposed welfare system in Texas.

THE AMNESTY PLAN

In fiscal year 1974, the Immigration and Naturalization Service reported that 788,000 undocumented aliens were apprehended. This is indicative of the substantial number of people attempting to immigrate illegally to the U.S. In fact, it is widely recognized that the U.S. is in the midst of a massive illegal immigration trend (North and Houstoun, 1976).

Provisions

In an effort to combat illegal immigration or what some have termed the "silent invasion," President Carter proposed the *Alien Adjustment and Employment Act* to reduce and regulate the flow of undocumented aliens into this country. President Carter's proposal is the product of an extensive

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cabinet level study and work by Representatives Peter Rodino and Daniel Eilberg and Senators Kennedy and Eastland. It contains four main elements: employer sanctions, criminal charges against smugglers and job brokers, adjustment of status for undocumented aliens, and cooperation with source countries.

In his August 4, 1977 message outlining the features of the plan, President Carter noted that the principal attraction for undocumented aliens is economic security through employment at higher wages than what workers could earn in their own country. President Carter maintains that restricting job opportunities for undocumented aliens would make illegal immigration less appealing and, therefore, has proposed that "Congress make unlawful the hiring by any employer of any undocumented alien" (President's Message, August 4, 1977). The Department of Justice would have responsibility for developing enforcement guidelines.

Penalties for violating employment restrictions include injunctions and civil fines to a maximum of \$1,000 for each undocumented alien the employer hired. Additionally, the employer is subject to criminal charges and possible imprisonment for violation of the injunction. While the proposed legislation allows the employer to defend himself against charges of hiring undocumented aliens, proof that the employee's documents and legal residence are in accordance with specifications in the Attorney General's regulations must be submitted. To deter falsification of documents, the plan states that authorized identification cards (such as Social Security) will be more detailed and difficult to obtain.

Restrictions on hiring would not be the only method of limiting job opportunities. Persons who knowingly assist undocumented aliens in finding employment, primarily those who act as job brokers or as agents for smugglers, will also be subject to criminal charges.

In addition to these regulations the proposed legislation calls for enforcement of the Fair Labor Standards Act mandating payment of minimum wages, as well as the Act's civil and criminal penalties. This would ensure that aliens receive the minimum wage, and also discourage employers from hiring them because of higher labor costs.

Although several states have already adopted laws concerning the hiring of undocumented aliens, many lack the severity and extensiveness of those included under the Carter plan. The Administration's plan would set uniform laws and sanctions for all states.

Granting permanent resident status to illegal aliens who could prove continuous residence in this country since before January 1, 1970 is vital in order to avoid creating a subclass of people residing in the U.S. without the protection of the laws. Those qualifying could apply for citizenship after five years, according to INS regulations. Undocumented aliens living here on or

before January 1, 1977 but after January 1, 1970 would be given temporary residence for five years and their immigration status would be reassessed at the end of that time. Also to be included in this category are those with expired visas, except exchange student visitors. In either case, however, an undocumented alien must register in order to gain new status. Persons who qualify for temporary alien status would have one year to register and could then reside legally in the U.S. for the next five years. The plan notes that establishing a temporary residency status delays the final decision on permanency until more accurate and reliable information concerning the number, concentration, family size, and economic impact of undocumented aliens can be collected and evaluated. The proposal calls for information gathering during the registration period with the final decision expected some time after completion of the registration process and before the five-year limitation expires.

The legislation also restricts temporary aliens from voting, holding office, serving jury duty, and bringing their families to the U.S., though they are free to leave and reenter the country and seek employment under the same conditions as permanent resident aliens. More importantly, unlike permanent resident aliens, temporary residents would be barred from participating in all federal social services. On the other hand, allocation formulas that are based on population figures would be adjusted to reflect the presence of temporary residents in the population.

President Carter's adjustment plan would not change the status of undocumented aliens entering the U.S. after January 1, 1977. Similarly, undocumented aliens eligible for an adjustment of status but who fail to register with INS authorities would be subject to present immigration laws.

President Carter's plan calls for increased cooperation in controlling illegal immigration with all major source countries, including increased economic aid in order to strengthen their economies. These measures are intended to discourage emigration from source countries and assumes that persons who may have otherwise emigrated will secure employment in their own countries.

Although the previously discussed features of the legislation comprise the major elements, President Carter's proposal is not without several related components. One is an increase in border enforcement to ensure the effectiveness of the plan. President Carter has therefore proposed that Congress reorganize and increase by at least 2,000 the number of Border Patrolmen to areas where illegal entries are highest. In addition, an antismuggling task force would be established to reduce the effectiveness of smuggling rings and prosecution of those apprehended would be given high priority by the U.S. Attorney General. These additional measures would be supplemented by the State Department's increasing the number of visas issued abroad so as to insure a maximum number of legal entries into the

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United States. Additionally, the State Department, together with source countries, would improve border patrols along mutual borders. President Carter has also requested that the Department of Labor (DOL) and Congress review the temporary worker program so that it continues to meet the needs of employers while simultaneously protecting domestic employment opportunities.

INTEREST GROUP REACTION

Strong opposition to President Carter's plan has been voiced by some interest groups. Speaking on behalf of the Chicano community, the League of United Latin American Citizens (LULAC) and the Mexican-American Legal Defense and Education Fund (MALDEF) have expressed general dissatisfaction with the plan. MALDEF specifically points to three major weaknesses: (1) the lack of hard data in compiling estimates on the number of undocumented aliens in the United States; (2) the employer sanctions; and (3) the status adjustment provision calling for reevaluation of immigration status after five years.

On the first point, MALDEF opposes the plan because the decisions that were made were based on estimates and information that have not been proven accurate. MALDEF contends that reliable estimates and information are the only basis for sound projections about aliens and development of a rational policy. Therefore, MALDEF has charged that the Administration's plan merely clouds the issue.

MALDEF believes the employer sanctions will result in job discrimination against Chicanos. They note that some employers, in their overanxious efforts to obey the law, will refuse to hire Chicanos, regardless of their proof of citizenship. They also contend that these restrictions give employers unwilling to hire Chicanos a reason not to.

Objections by MALDEF as to the adjustment component are primarily because the cut-off dates were arbitrarily chosen. They believe these dates will cause many aliens who have economically contributed to our society and developed close ties with communities to be assigned temporary resident alien status. This, MALDEF contends, would create a subclass of residents. The danger inherent in this is that the negative attitudes toward this segment of the population could easily be transferred to Chicanos as there is no obvious difference between Mexican undocumented aliens and Chicanos.

On the other hand, some groups have been supportive of President Carter's plan. The American labor movement, with the exception of the American Farm Workers, is favorably disposed to the plan. AFL-CIO President George Meany issued a statement urging swift passage of legislation as proposed in President Carter's plan.

Labor union support is understandable in that union responsibility is to protect the jobs of its members. In fact, union leaders have stated that the number of undocumented aliens in this country is exactly equal to the number of unemployed Americans. They feel that undocumented workers are likely to take not only low-paying jobs but any type of employment available. They view the plan as sharply curtailing the number of undocumented aliens competing for jobs against Americans. This is perhaps why they have also vigorously supported the employer hiring restrictions.

Another important consequence of President Carter's plan envisioned by labor leaders is the provision calling for stricter enforcement of the Fair Labor Standards Act. In the view of labor, this would eventually result in the unionization of areas such as the Rio Grande Valley in Texas and would constitute the opening of a new frontier for the labor movement (Schey, 1977).

THE UNDOCUMENTED ALIEN

Who is the undocumented alien? In order to determine the impact President Carter's amnesty proposal will have on the income maintenance system, it is necessary to first determine the characteristics and needs of undocumented aliens. Demographic profiles and related data found in several recent studies provide an empirical base for assessing the contributions undocumented aliens make to the U.S., as well as the costs they impose on this country. Research on undocumented aliens includes the Linton study (North and Houstoun, 1976), the County of San Diego study of 1977, and ongoing research being conducted by J.A. Reyes & Associates and the U.S. Civil Rights Commission.

The Linton study contains the most comprehensive data yet compiled, although results are "soft," given the nature of the research. The survey was conducted in nineteen cities and includes a sample of 793 apprehended illegal aliens. The authors' sample consisted of 481 (61 percent) Mexicans, 237 (30 percent) nationals from other Western Hemisphere (WH) nations, and 75 (9 percent) nationals from Eastern Hemisphere (EH) nations.

The very fact that researchers conducting studies on undocumented aliens are trying to measure an unlawful activity precludes an accurate representation of this segment of the population. Further, because the exact number of undocumented aliens is unknown, most studies to date, including the Linton and San Diego studies, have used apprehended illegals to draw their sample. While variations of sample selections have been tried in recent studies, no firm conclusions can be drawn from the results and the findings cannot be inferred on the undocumented alien population. At best, the studies conducted thus far give a very general portrait of the undocumented alien population as implied by the sample.

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Demographic Profile of Undocumented Aliens

According to the Linton study, the "typical" illegal alien is thought to be a young, single male with limited English-speaking ability, poorly educated, and in search of employment. The authors of the Linton study conclude that these characteristics hold true although they can vary substantially depending on the nationality of the undocumented alien.

In preparing the amnesty legislation proposal, the Carter Administration tried to distinguish between undocumented aliens who live in the U.S. permanently and those here on a temporary basis. According to the San Diego County study, 53 percent of the 217 apprehended undocumented aliens indicated that their preferred choice of residence was their own country (Mexico). They pointed at the lack of economic opportunity in their home country as the reason for migrating to the U.S. On the other hand, 39 percent preferred living in the U.S. permanently, while 3 percent were undecided and 4 percent did not answer.

Many people assume that the undocumented alien problem is really one of Mexicans crossing the border and working in fields of the Southwest. This is no longer so. Undocumented aliens are settling primarily in urban areas throughout the country. They tend to settle in communities where there are already large numbers of permanent resident aliens, sixty-nine percent of them concentrating in only six states—California, New York, Texas, Illinois, New Jersey, and Florida. Mexicans still tend to settle in the Southwest, particularly in California and Texas, but they have been moving in increasing number to the Midwest and Northwest metropolitan areas. WH undocumented aliens other than Mexicans usually settle along the East Coast, as do those from the EH. The Midwest and Northwest urban areas trail the East Coast as favored settlement areas.

The overall educational level of undocumented aliens varied from the 4.9 average years of schooling for Mexicans to the 11.9 average years of schooling for EH respondents. The latter group's education level is comparable to that of the U.S. labor force average of 12.4 years. EH undocumented aliens as a group are well-educated, obtain better jobs, are more likely to speak English, and are better able to adapt to American life. Therefore, they are less likely to be apprehended by the INS.

The Linton study also described the "typical" undocumented alien as young, male, and single. Almost 91 percent of their respondents were male, averaging 28.5 years of age. The men were much more likely to be single than their American counterparts. Only about 16 percent of American males aged 25-34 are single, while almost 37 percent of the sample group in this age bracket were single.

Although most apprehended undocumented aliens are single, as a group they support an average of 4.6 dependents in their home country. The number of dependents varied from an average of 1.8 dependents for EH undocumented aliens to 5.4 in the case of those from Mexico. Although the average gross weekly earnings of the Linton sample were \$120, this group managed to send home an average of \$105 per month. Again, there was a substantial variance, with Mexicans sending home \$129 per month and WH and EH undocumented aliens sending \$76 and \$37 respectively.

As a group, only one-sixth of the Linton sample reported their spouses living in the U.S., and one-eighth had their children with them. Significantly, 21.3 percent of the EH undocumented aliens and 27.8 percent of those from the WH reported their spouses living with them, while only 11 percent of the Mexican sample reported their spouses living in this country, regardless of the proximity to Mexico. On the other hand, Mexicans had more relatives in the United States than any other group.

Undocumented aliens are more likely to be workers than dependents and, therefore, their biggest impact on society is in the labor market. It is also interesting to compare pre-immigration occupations with the jobs held by undocumented aliens once they reach the U.S. North and Houstoun's study found that Mexicans generally had increasing upward mobility as they switched from farm labor or unskilled labor positions to semi-skilled jobs. On the other hand, WH and EH undocumented aliens in particular shifted downward from white collar to service occupations in the U.S.

The number of undocumented aliens working in the U.S. is still unknown, while information gathered reflects projections based on those who are apprehended. The INS estimated that in 1975 1.1 million out of a total of 1.7 million undocumented aliens in the Western region of the U.S. (Los Angeles, San Francisco, San Diego, Imperial Valley, Phoenix, and Hawaii) were working. However, figures tend to vary considerably. For example, in 1974 San Diego County officials estimated that out of 1.3 million undocumented aliens in California, only 251,000 were working. An assumption made about undocumented aliens in the work force is that they depress wages for U.S. workers in comparable positions given their willingness to work longer hours for less pay and fewer or no fringe benefits. The Linton study determined that the average hourly pay varied greatly depending on the nationality of the undocumented alien and the location. The average hourly wage of Mexicans was \$2.71 while WH and EH undocumented aliens earned \$3.05 and \$4.08 respectively. On the East Coast, the average wage was \$3.29 per hour, while in the Midwest and Northwest it was \$3.18. In California the average wage was \$2.60, while in the Southwestern states it only averaged \$1.98. In 1975 the average hourly wage for U.S. production and nonsupervisory workers was \$4.54. However, the federal minimum wage for agricultural workers was only

\$1.80 per hour and \$2.00 per hour for nonagricultural workers.

The apprehended undocumented aliens also were shown to work longer hours than their U.S. counterparts in the work force. In the contract construction industry, undocumented aliens worked 42.8 hours compared to 37.1 hours per week for American workers. The average work week for undocumented aliens in sales was 43.4 hours to 33.6 hours by American coworkers. In the manufacturing sector, undocumented aliens averaged 41.2 hours per week versus 39 hours registered by their American counterparts. The widest gap existed in the services sector, where undocumented aliens worked an average of 45 hours, compared to 33.7 hours by American workers.

Contributions/Costs to Society

Up to now there is no evidence that undocumented aliens use public services in the U.S. to any significant degree. On the contrary, because of their illegal status, undocumented aliens are not apt to use any services except medical services in cases of extreme need.

Several studies have been conducted on the costs of undocumented aliens to the U.S., all varying in quality and reliability. In 1975, ICF, Inc., a public policy consulting firm in Washington, D.C., prepared a study for the INS encompassing both direct costs, such as unemployment compensation, welfare, food stamps, and Medicaid, and indirect costs such as tax evasion, balance of payments loss, and job displacement caused by undocumented aliens. ICF reported that for every one million adult undocumented aliens, there is a presumed net tax burden of approximately \$2 billion. ICF's final figure indicates a yearly loss to the U.S. of \$13 billion or more.

The AFL-CIO estimated that the annual wage loss to American workers due to undocumented aliens is around \$10 billion. These figures assumed that two million workers were displaced at an average annual wage of \$5,000.

The Linton and San Diego studies assessed the impact of the undocumented aliens through their contribution to the tax system and public services received. Unfortunately, both studies ignored the cost of job displacement. Table 6, from the Linton study, makes a viable case for defending the undocumented aliens' presence in the U.S.

The San Diego study (Villalpando, 1977) estimated that the annual tax contribution of undocumented aliens in San Diego County is \$48.8 million. Welfare costs are more difficult to estimate, but it is likely that the use of welfare services by undocumented aliens is minimal. Application procedures developed in San Diego County in 1975 prompted the decrease of undocumented aliens on AFDC from 193 cases (\$24,036 per month) in May 1976 to 28 cases (\$3,487 per month) in December 1976. These figures

TABLE 6

**EXTENT OF PARTICIPATION OF
APPREHENDED UNDOCUMENTED ALIEN RESPONDENTS
IN TAX-PAYING AND TAX-SUPPORTED PROGRAMS**

Program Activity	Percent of Respondent Participation
<i>Input</i>	
Social security taxes withheld	77.3
Federal income taxes withheld	73.2
Hospitalization payments withheld	44.0
Filed U.S. income tax returns	31.5
<i>Output</i>	
Used hospitals or clinics	27.4
Collected one or more weeks of unemployment insurance	3.9
Have children in U.S. schools	3.7
Participated in U.S.-funded job training programs	1.4
Secured food stamps	1.3
Secured welfare payments	0.5

Source: David S. North and Marion F. Houstoun, *The Characteristics and Role of Illegal Aliens in the U.S. Labor Market: An Exploratory Study* (Washington, D.C.: Linton and Company, 1976).

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demonstrate the minimal impact undocumented aliens have on welfare costs. The largest cost imposed by them is on health services.

IMPACT OF PLAN

Assessing the impact undocumented aliens would have on Texas welfare programs is a difficult task given that available studies do not provide evidence to support or refute allegations (1) that there are large numbers of undocumented aliens, (2) that these same aliens take jobs from Americans, and (3) that they use public services without paying taxes. Even seemingly sound data and estimates must be carefully scrutinized.

For example, some estimates reveal faulty or unreasonable assumptions. INS Commissioner Leonel Castillo estimates that four million undocumented aliens are presently in the U.S. INS' low estimates may have been inspired by a desire to make President Carter's proposal more acceptable. In other words, the lower the number of undocumented aliens the less significant their impact on American society. On the other hand, a general feeling of hysteria has caused some estimates to be very high, as some observers blame the present economic conditions of the U.S. on undocumented aliens.

On the other hand, the Lesko study conducted for the INS in 1975 estimated there were 8.2 million persons residing illegally in the U.S. Prior to this study, INS had reported as low an estimate as 2.5 million undocumented aliens. In arriving at their estimate, the Lesko group used a formula based on several questionable assumptions: (1) that illegal immigration is consistently related to the number of aliens apprehended at points other than at entry and that this ratio remained constant from 1960 until the time of the study; (2) the number of persons missed in the 1970 Census of Mexico equaled the number of persons missed in the 1960 Census; (3) all emigration from Mexico was to the U.S.; and (4) the U.S. Census data for 1960 and 1970 on "country of birth," particularly for Mexico, are accurate and consistent (*Congressional Record*, 1976).

The question then arises, who is closest to the actual truth? Professor Walter Fogel in October of 1977 in questioning the validity of the Lesko study said:

My own view is that these figures which are now being used in INS press releases, err significantly on the high side. It is hard to believe that there are almost as many illegal Mexicans in the U.S. as there are lawful Mexican-origin residents (6.7 million as estimated by the Census Bureau in 1975). It is also hard to believe that roughly 40% of all males aged 15-44 who lived in Mexico in 1970 migrated to the U.S. by 1975...as is implied in the estimates INS is not using. (Briggs, Fogel, Schmitt, 1977.)

Fogel attributes these high estimates to a failure to account for the flow of people back into Mexico, either after not finding employment or simply returning home.

Although Fogel's reasoning is logical it still does not answer the question of how many undocumented aliens there are and of how the flow of Mexican-origin persons compares with that of persons from other Latin American nations.

Participation Under Plan

INS Commissioner Castillo noted in August 1977 that between three to five million persons will register in one of the two categories under the Carter amnesty plan. In addition, approximately 500,000 undocumented aliens will apply for permanent resident status, but this total will not include a majority of Mexican applicants. Figures for undocumented aliens seeking temporary status fall between 2.5 and 4.5 million, half of them being Mexican born. The remainder will most likely have two options: be subjected to current immigration laws if they wish to legalize their status; or continue their clandestine lifestyles, given their mistrust of INS. Overall, these registration estimates are quite optimistic. For example, Canada undertook an amnesty plan in 1977 and after much preregistration fanfare about the expected one million registrants, only 50,000 undocumented aliens actually registered. If INS estimates are accurate, however, undocumented aliens could have some effect on the Texas welfare system and that of other Southwestern states.

However, the impact undocumented aliens will have on national welfare programs will probably be relatively small. This assumption is based on the fact that the 500,000 undocumented aliens who will supposedly apply for permanent residence are the only group eligible for welfare benefits, as temporary residents will be restricted from federal programs. The second factor leading to this conclusion is three-fold: (1) the number of permanent residents who have been in the U.S. for at least seven and one-half years and are already receiving welfare benefits is not only small but will not make an additional impact; (2) among the new permanent residents there will be a number of persons who will not seek public assistance because of their desire to maintain low profiles; and (3) it is reasonable to assume that those who have been here since 1970 have survived on their own and will most likely not seek welfare benefits.

Similar uncertainties arise when the effects of undocumented aliens are evaluated on a state level. In 1977 the Texas Department of Human Resources (DHR) estimated that the total number of undocumented aliens in the state was approximately 800,000. At present, however, the Department is more inclined to estimate the number in Texas as falling between 300,000

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and 500,000. In either case arguments for both estimates can be defended considering the makeup of undocumented aliens, the population, and the proximity of Texas to Mexico.

DHR also estimated that 40 percent of the undocumented aliens in Texas were residents prior to 1970, making the potential number of eligible welfare recipients about 320,000 persons (assuming the 800,000 figure). In addition, DHR estimated that 64,000 of the 320,000 undocumented aliens already belong to families in Texas and that the remaining 256,000 would become permanent residents and choose Texas as a home base. Further, DHR predicted only 5 percent of the new permanent residents would bring their families to Texas given the freedom of traveling to and from Mexico, allowing for frequent visits. The cost-of-living differential would further discourage new permanent residents from bringing their families over. It is also assumed that while families have lived apart, different lifestyles will have been formed, making conciliations less likely. DHR's final assumption was that breaking cultural ties with the home country may be viewed as undesirable, thus convincing those who migrate to the U.S. to leave their families in Mexico.

The assumptions made by Texas DHR seem valid and are shared by Jorge Bustamante, sociologist at *El Colegio de México* and one of the leading experts on Mexican migration. Professor Bustamante maintains that upward mobility for the Mexican undocumented alien will come most rapidly if the worker's family stays in Mexico, given the increased real income the family will receive as a factor of cost-of-living differences. This fact should result in few registrants bringing their families to the U.S.

Impact on Current Social Service Programs

This section provides a brief description of the major welfare programs in order to determine who is served by current social services and what the likelihood is that newly registered aliens will be eligible.

Aid to Families with Dependent Children. The AFDC program provides a minimal level of income to families with dependent children. AFDC payments in Texas are limited almost exclusively to female-headed families while eligible male applicants are generally disabled, in poor health, or aged. Although DHR estimated in 1977 that 8 percent of newly registered aliens or 2,300 persons would participate, it no longer stands firmly by this figure.

Food Stamps. The Food Stamp program allows low income persons and families to receive coupons enabling them to increase their food purchase capacity. Low income and U.S. citizenship or permanent resident status guidelines are the only requirements for participation, making this the most accessible program for indigents. In September 1977 DHR projected 3,744

alien families would register and participate but again no longer stands by this figure.

General Assistance. General assistance is a small program providing emergency benefits to persons pending participation in federal programs. The program is available in only a few localities across Texas and usually reaches only those cases most in need. Undocumented aliens will not be served in large numbers through general assistance even if they become permanent residents.

Medical Assistance. DHR administers the Texas Medical Assistance program, which includes Medicaid. Services are generally limited to current welfare recipients, nursing home patients, and the medically indigent. These requirements plus strict U.S. citizenship requirements now exclude undocumented aliens by definition.

Supplemental Security Income. SSI provides income to individuals aged sixty-five or over, or those who are blind or disabled and who do not qualify for OASDI payments. It seems unlikely that many undocumented aliens fit this description or will in the near future.

Unemployment Insurance. The Unemployment Insurance program, administered by the Texas Employment Commission, provides income for workers who are unemployed. This form of insurance is financed from a payroll tax and covers most occupations. Therefore, citizenship is not a requirement and at present undocumented aliens are eligible if they work in a job covered by the program (U.S. Department of Justice, 1976).

Although there may be a large increase in the participation of newly permanent resident aliens in contrast to their past participation in these programs, the overall effect would appear to be minimal. This conclusion can be substantiated by viewing the current number of AFDC caseloads in Texas. DHR reports 94,000 current AFDC cases and an approximate addition of 2,300 new cases, raising that figure slightly without a noticeable increase in costs. The same holds true for the Food Stamp program, as the present caseload of 225,000 households (individuals included) would only be increased by approximately 35,000 new households, or more specifically, 47,000 individual recipients. These figures are only "guesstimates," and since the time they were developed DHR has downplayed their significance. Thus, the general consensus is that there will be far fewer increases than reported above and that the overall impact will be slight.

Eligibility for most public assistance programs depends upon U.S. citizenship status, and the various state agencies in Texas as well as most others across the U.S. have verification procedures to effectively screen out undocumented aliens. In addition, although generalizations cannot be made based on the profile of undocumented aliens, it appears they are not likely to

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fit the characteristics of the public assistance recipient population. The undocumented alien population seems to be overwhelmingly young (70 percent under 30), male, single, and employed. Further, although much of this group can be classified as low income, the predominance of single males makes the match of populations an ill-fitted one (U.S. Department of Justice, 1976).

CONCLUSIONS

The Carter amnesty plan will have minimal impact on the present public assistance system or on a reformed welfare system since it strictly stipulates that only those undocumented aliens living in the U.S. prior to January 1, 1970 are eligible for public assistance. Moreover, the greatest portion of undocumented aliens, the temporary resident aliens, will be barred from participation in welfare programs. Therefore, this means that only about 500,000 people nationwide, citing INS estimates, would be eligible. Of those eligible to register as permanent residents, some will not do so because they are unable to prove they have been continuous residents since prior to January 1, 1970. Others will not register due to suspicion and fear of interaction with INS. If the aim of government officials is to persuade this group to register, extensive outreach campaigns will need to be conducted. Furthermore, since most undocumented aliens from Mexico have language difficulties, outreach campaigns are crucial and must be directed in a way that will effectively reach these groups. Thus, there is a need to have outreach workers who speak proficient Spanish.

Moreover, of those who register as permanent residents, few will apply for welfare benefits. Based on the demographic profile of the undocumented alien population, it is unlikely that they will be eligible for any benefits in most current programs.

Some observers have worried about the ramifications of dividing undocumented aliens into two groups—one with the rights and privileges of U.S. citizens, and another virtually stripped of those same rights and privileges. There is really no conflict, however, as the U.S. admits hundreds of thousands of aliens to live in this country on a temporary basis.

The above conclusions notwithstanding, there remains the question of alien status beyond the five-year temporary resident period. There is a likelihood that these persons could become permanent residents with all the privileges that status brings; but this status is little different from that of other undocumented aliens except in length of residence. If the status of temporary residents should change, there is little reason to anticipate anything but minimal increases in public assistance program participation.

The Texas Constitution limits the amount of state monies that can be spent on welfare, and although the programs' spending is well below ceiling levels, the legislature has been unwilling to raise state spending. This makes public assistance payments in Texas among the lowest in the nation; the average AFDC monthly payment in 1976 was \$105. With the passage of President Carter's PBJI program, poor Texas families would be guaranteed an income set at 65% of the poverty level with little chance of state supplementation—hardly an incentive for additional people to enter the public assistance system. Therefore, it is unlikely there will be much change in the participation levels of Texas residents in the advent of PBJI and the passage of the amnesty legislation affecting undocumented aliens. The same cannot be assumed for other states, as the bulk of undocumented aliens are assumed to live in a few mostly high-benefit states, primarily California, New York, New Jersey, Illinois, and Massachusetts, where a PBJI federal income floor set at 65 percent of poverty is almost certain to be raised to the poverty level by state supplementation.

Under PBJI not only will two-parent families be eligible for assistance, but also single individuals unable to find a full-time job. The possibility of significant numbers of single undocumented aliens participating does not seem likely, however, as the maximum federal benefits would be \$1,100 per year and they cease when full-time work is found.

There is a basic disincentive for large-scale participation because of the presumed lack of a family structure present in the undocumented alien population in the U.S. Married men who register as permanent residents would be allowed to bring their families into the U.S., but not many are expected to do so. Further, the largest group of undocumented aliens whom the Linton study found to have families in this country were from the Eastern Hemisphere. These are not likely to inflate welfare rolls significantly since they are well-educated, tend to have better jobs than other undocumented aliens, and generally earn an hourly wage above the poverty level.

Initially, there seem to be good incentives for aliens to participate in PBJI in high-benefit states. The program promises that by 1981 families with a working household head will receive an income 13-20 percent above the poverty level while workers learn new skills to improve their position in a competitive labor market. The bulk of undocumented aliens could certainly use the higher income and skills training, but the key to why few are expected to participate is the expectations this population has of the government. The relatively smaller population from the Eastern Hemisphere includes persons accustomed to fairly sophisticated social service delivery systems and who consequently have ingrained attitudes that governments do provide help for their poor. The Linton study and others have shown that EH

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undocumented aliens are slightly more likely to use social services, while their Mexican and other Western hemisphere counterparts were reared in nations with either no system or very limited public assistance. As a result, the undocumented aliens are likely to be unaware of the types of assistance available and, if aware of the services offered, their background may lead them to reject automatically the notion of government help. Undocumented aliens are used to providing for themselves and doubtless there is much pride in their self-reliance. While there will be continuing debate on the Carter amnesty proposal, the evidence available indicates that undocumented aliens have not been and are not likely to place undue burdens on the welfare system.

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